Contents

terra firma

Creating value.
Building better businesses.

Annual Review

2017

TERRA FIRMA

CREATING VALUE. BUILDING BETTER BUSINESSES.

LETTER FROM GUY HANDS
CHAIRMAN & CHIEF INVESTMENT OFFICER

August 2018

Dear Stakeholder,

Welcome to the latest Annual Review of Terra Firma and its portfolio businesses. 2017 was the first fully operational year of the Managing Partnership between me, Justin King and Andrew Géczy and one in which there was a focus on returning funds to our investors.

In my role as Chairman & Chief Investment Officer, I spend the majority of my time focusing on strategy for our potential investments and their eventual exits. I am therefore very much involved at the beginning of the ownership journey for our businesses and again towards the end. Justin, as Head of Portfolio Businesses is responsible for the execution of our portfolio companies' strategies in the middle part of those journeys, while Andrew focuses on the day-to-day management of Terra Firma, strengthening our organisation and managing the execution of acquisitions and disposals.

The Partnership was further enhanced by the arrival in January 2018 of Vivek Ahuja as Group CFO. Vivek has extensive experience of working at the highest level in financial services, having most recently served as Deputy Group CFO of Standard Chartered Bank. We are delighted to have him on board as a Partner. You will hear from Vivek in this Annual Review as he explains why he joined Terra Firma.

We also announced several promotions, including that of Andrew Miller to become a Partner. Andrew joined Terra Firma in September 2016 having spent his career focused on operational improvement in a large variety of businesses, including five years as CEO of Guardian Media Group.

With these new additions, we have one of the most experienced management teams of any European private equity fund. Our aim is to achieve results by leveraging this talent across the three main aspects of Terra Firma's operations: buying, managing and selling businesses. This is what is most important to all our stakeholders and particularly to me, with almost all my personal wealth invested in Terra Firma.

Over the course of last year, we returned more than €2 billion to our investors and co-investors. In February 2017, we announced the sale of Infinis's onshore wind assets to institutional investors advised by J.P. Morgan Asset Management. The transaction closed in May 2017 and completed the sale of all of Infinis's operating assets. Under Terra Firma's 12-year ownership of Infinis, the business was transformed from a non-core, neglected group of assets into one of the UK's leading renewable energy generators. The combined sales of Infinis's landfill gas and onshore wind portfolios realised one of Terra Firma's most successful ever investments. You can read more about the Infinis success story in the Value Creation feature on page 27.

In August 2017, we completed the sale of AWAS to Dubai Aerospace Enterprise. This followed on from the sale of the SkyFin portfolio of more than 80 modern aircraft by AWAS to Macquarie in 2015. Under our ownership, we transformed AWAS into one of the world's leading aircraft leasing companies.

Last year we also ran a sales process for EverPower, our US wind energy development and generation business. In November and December, we announced the sale of EverPower's operating assets to a fund managed by BlackRock Real Assets and, separately, its development portfolio to innogy. We completed the sale of the operating assets in February 2018 and the sale of the development portfolio in July 2018.

Over the course of 2017, we returned more than €2 billion to our investors and co-investors

We also launched sales processes for CPC, our Australian cattle farm business, and RTR, our Italian renewable energy business. We agreed the sale of RTR in July 2018 and hope to conclude both sales over the coming months. Both businesses have been performing well and have attracted a large number of interested potential purchasers.

One of our most significant transactions in 2017 was the refinancing of Annington Homes. The £4 billion refinancing was the largest of its kind ever in Europe and included £550 million of new capital from existing investors through Terra Firma Special Opportunities Fund II. The transaction transformed Annington's capital structure from a securitisation structure maturing in 2021 to an investment grade financing with staggered maturities as far out as 2047. As well as lowering its borrowing costs, reducing risk and increasing the company's operational flexibility, the refinancing will allow the business to explore exciting new opportunities, particularly in the UK's private rental sector.

Another important development for the firm in 2017 was the completion of our first two Support Capital transactions, SportGroup and Cleor, which provide their owners with a compelling alternative to co-investment to support the growth of their business. Support Capital is an innovative, flexible solution for businesses which do not have access to financing through banks and capital markets to drive growth and improvement, and whose owners wish to retain control of the business. Mark Elliott, who is the head of our Support Capital Group, explains more about this new business on page 14. We believe there are many such opportunities in Europe and these proprietary deals demonstrate our ability to find and deliver on them.

February 2018 marked the successful culmination of Terra Firma Capital Partners II ('TFCP II'), Terra Firma's first fund as an independent firm. The final asset to be sold was our remaining holding of shares in AMC, one of the world's largest entertainment companies, which had been taken in part-payment for the sale of Odeon & UCI to AMC at the end of 2016.

TFCP II, which closed in 2004, raised a total of €1.9 billion from external investors and, including co-investment, went on to invest more than €3 billion in six businesses: WRG/Infinis, Odeon & UCI, Tank & Rast, East Surrey Holdings, AWAS and EMI. While the Fund's performance was impacted by the loss on EMI, there have been notable successes of which Terra Firma is very proud, and the Fund achieved a good overall return.

Finding opportunities to transform businesses and create value is at the heart of what we do. For more than 20 years, we have followed a consistent investment approach of targeting businesses that are orphaned, undermanaged or misunderstood by their current owners. However, 2017 has been a challenging year for the firm; a year in which delivering on our unique approach has never been more important and yet the challenges so great.

Towards the close of 2017, the bond-financed part of the Four Seasons Health Care group began formal discussions with its creditors with a view to a balance sheet restructuring. We are proud of the operational improvements that we implemented in the business. However, the strong headwinds created by UK Government budget cuts to local authority funding, large increases in operational costs from rising minimum wages and various regulatory changes meant that the business was unable to make the significant financial improvements that were necessary. These discussions remain ongoing and we support their aim of achieving a consensual restructuring, which is in the best interests of the business, its residents, employees and other stakeholders.

Wyevale Garden Centres has also had a tough time, with the general fiscal tightening by the UK government in recent years and the added uncertainty created by Brexit having had serious consequences for WGC's target customer base of the over-50s. We refinanced the business in September 2017 to put it on a more stable footing and enable management to continue their work on the operational turnaround.

It is no secret that the retail environment in the UK is incredibly tough and WGC has felt this backdrop just like any other retail business. According to the Office of National Statistics, retail sales at the start of the year were at their lowest level since 2013 with consumer spending hampered by inflation and prices rising faster than wage growth, all fuelled by the fall in value of the pound since the Brexit vote. Despite the World Cup and the heatwave, which helped sales of food, drink and barbecues, monthly retail sales fell in the month of June as British shoppers stayed away from the high street. However, overall, sales in the second quarter were up 2.1 per cent, the strongest quarterly rise since 2015, with sales in April and May being given a boost by the Royal Wedding and the unseasonably good weather. Nonetheless, the outlook remains difficult. In recent months, Poundworld, the discount retailer, and Gaucho, the restaurant group, have announced they were going into administration, while House of Fraser and Marks & Spencer have announced store closure programmes.

I continue to be negative on the outlook for the UK. The increased importance of the City of London over the last 30 years, which was triggered by Margaret Thatcher creating a low tax environment for employees and enabling the free movement of investors' money in and out of the EU, is likely to reverse as a result of Brexit. Although it won't happen overnight, the talent that was attracted to London will instead go elsewhere. Many commentators question whether those roles, particularly in financial services, will end up in Paris or Frankfurt or whether in fact Hong Kong and New York will be the winners at the end of the day. But wherever it may be, London will gradually lose its crown as the pre-eminent centre for financial services in the world.

In contrast, although the outlook for the UK is gloomy, the European Central Bank recently lifted its growth forecast for the 19-nation euro area on the back of an uptick in confidence and this is despite the political issues that many countries, such as Germany and Italy, have endured. I firmly believe that with our hands-on, operationally intensive strategy, Europe will continue to present Terra Firma with some excellent investment opportunities going forwards.

In 2017, we continued our commitment to supporting good causes, with Terra Firma Capital Partners donating 10 per cent of its annual pre-tax profits to charitable organisations, including those in the London Borough of Southwark. One of these, Stepping Stones, is a charity based in Southwark which runs activities and courses for adults with learning disabilities. A case study of our support for Stepping Stones can be found on page 93. Since 2002, when Terra Firma was formed, the Terra Firma Charitable Trust has made commitments of more than £2.5 million to charitable organisations working in and for our local community. Meanwhile, Terra Firma Capital Management has made donations totalling close to £600,000 to support local initiatives in Guernsey.

I would like to thank you for your continued support of Terra Firma during 2017 and I look forward to continuing our relationship with you in the coming years.

With best wishes,

Guy Hands
Chairman & Chief Investment Officer

A letter from Justin King, Vice Chairman & Head of Portfolio Businesses, can be found in Section 2 – "Our Portfolio".

A letter from Andrew Géczy, CEO, can be found in Section 3 – "Business and Financial Review".

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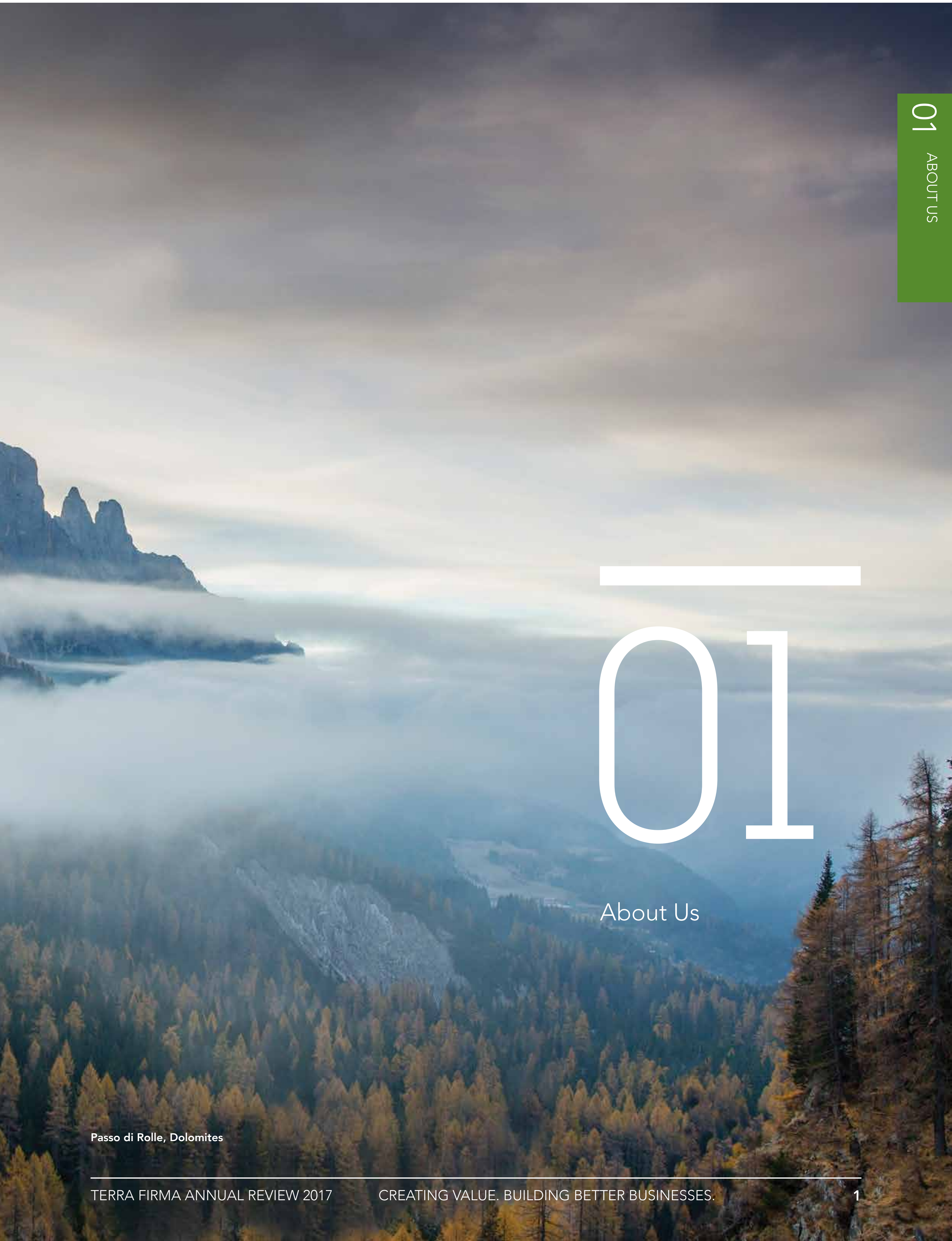
Lago di Carezza, Dolomites



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About Us

Passo di Rolle, Dolomites

SUMMARY

CREATING VALUE. BUILDING BETTER BUSINESSES.

Terra Firma is a leading European alternative investment platform

Terra Firma is a leading European alternative investment platform, with a team of more than 80 people across our offices in Guernsey, London and Beijing. Since 1994, we have sought to create value for our stakeholders using a strategic, operationally focused and creative approach to building better businesses.

During this time, we have invested over €17 billion of equity in 33 portfolio companies, with an aggregate enterprise value of €47 billion.

Our investment strategy is sector agnostic. We search for asset-backed businesses that are in need of change and have found them in a range of industries. During the past three years, we have strengthened our organisation with a new senior leadership team comprising Guy Hands, Justin King and Andrew Géczy. This has enabled us to build on a foundation of 23 years of alternative investment experience to develop an institutionalised, scalable, repeatable model of value creation.

Today, we serve over 180 investors representing a wide range of institutions and individuals from around the world.

BETTER BUSINESSES BUILD BETTER SOCIETIES

We believe that better businesses build better societies. In a rapidly changing environment, it is vital that businesses benefit all of their stakeholders if they are to continue to raise living standards and create prosperity for future generations. We believe that the consideration of environmental, social and governance issues is a fundamental part of good investment practice, and this belief is integrated with our approach to creating value and building better businesses.

A reference to 'Terra Firma' means, prior to 27 March 2002, the former Principal Finance Group of Nomura International plc and, post 27 March 2002, as the context requires, Terra Firma Holdings Limited, Terra Firma Capital Partners Limited, Terra Firma Capital Management Limited and any of their affiliates.

ABOUT US

OUR BUSINESS AT A GLANCE

TERRA FIRMA

23-year
investment track record

33
private equity investments

€47bn
Aggregate enterprise value of the businesses in which we have invested

€17bn
of equity invested

€14bn
of capital expenditure invested within Terra Firma's portfolio

70+
'bolt-on' acquisitions integrated to drive growth

A DIVERSE TEAM TO SUPPORT OUR

European focus

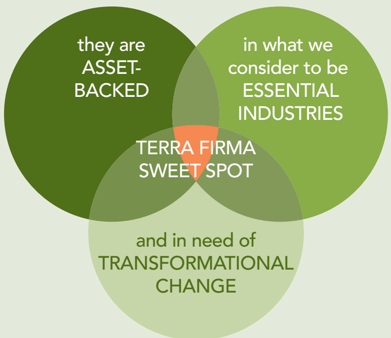
WE EMPLOY MORE THAN **80** PEOPLE IN LONDON, GUERNSEY AND BEIJING

OUR PEOPLE COME FROM **19** COUNTRIES...

...AND SPEAK **20** LANGUAGES

INVESTMENT CRITERIA

We look for businesses that are:



ABOUT US

OUR AREAS OF INVESTMENT FOCUS

We have four key areas of investment focus:

TRANSFORMATIONAL PRIVATE EQUITY	Building better businesses and creating value
OPERATIONAL REAL ESTATE	Professionalising the management of real estate assets
INFRASTRUCTURE 'PLUS'	Unlocking infrastructure value through operational excellence
SUPPORT CAPITAL	Providing flexible funding solutions for capital-constrained businesses

ABOUT US

OUR APPROACH TO PRIVATE EQUITY

Creating value and building better businesses is at the heart of our strategy. For 23 years, we have followed a consistent investment approach in our private equity business: targeting companies that are orphaned, undermanaged or misunderstood by their current owners. Our goal is to generate attractive returns in the rapidly changing European investment environment by acquiring these businesses and transforming their strategy, operations, finances and management to make them best-in-class.

We look to invest in businesses that share three characteristics: they are asset-backed, in what we consider to be essential industries, and in need of transformational change. We identify investment opportunities and pursue them based on our five drivers of value creation: transforming strategy; strengthening management; developing through capital expenditure; building through mergers and acquisitions; and lowering the cost of capital to create extra upside.

We play an active role in delivering this transformational strategy within each business, often installing our own management teams, and we provide the strategic, financial and operational expertise to support them in pursuing long-term value creation. We have the capabilities and resources to take a fully interventionist approach, if required, in order to enable a business's operational turnaround and support cultural change.

CONSISTENT INVESTMENT CHARACTERISTICS

ASSET-BACKED

We look for asset-backed businesses as they help protect the value of our investments and provide a stable platform for growth. As asset-backed businesses are divisible by their nature, we are often able to find different ways to create value through their financings and exits. Terra Firma takes a detailed bottom-up approach to due diligence and analysis, allowing us to maximise the potential of each individual asset and identify opportunities that others may not always see. We were among the pioneers of asset-by-asset due diligence in Europe within the rail and pub sectors in the early 1990s, and we continue to use this approach today.

ESSENTIAL INDUSTRIES

We do not target specific industries, but look for the opportunity to invest in businesses with a stability of underlying demand and a greater resilience to downturns. These businesses typically rely on non-discretionary customer expenditure and do not depend strongly on technological innovation or branding. We have invested in businesses across a wide range of industries, such as energy and utilities, infrastructure, affordable housing, leisure and hospitality, agriculture, healthcare and asset leasing.

REQUIRING TRANSFORMATIONAL CHANGE

We look for businesses that can benefit from our support and investment in pursuing transformational change or repositioning in their market. We have a strong track record of building better businesses. We do this by developing new strategies, investing significant amounts of capital and dramatically improving operational performance. The operational skills within our transaction teams allow us to supplement and, if necessary, replace existing management in order to implement changes and drive operational excellence.

ABOUT US

VALUE CREATION PROCESS

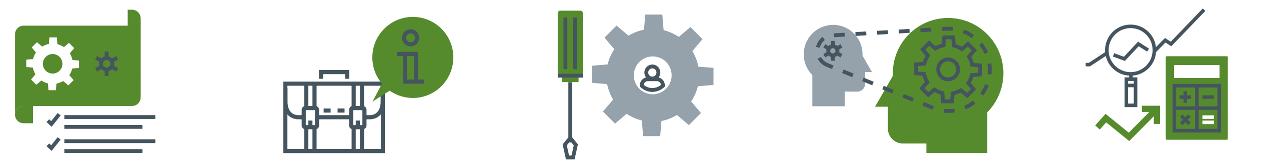
We invest in businesses where we see opportunities to use our five drivers of value creation and we seek to implement them by working in very close partnership with those businesses.

We drive our businesses' strategies and the operational initiatives underpinning them through robust governance structures, close involvement in, and monitoring of, our businesses and, when appropriate, through seconding our own employees to help implement change. We have extensive experience in applying our value creation approach, and we apply the lessons we have learned to each new situation.

We do not necessarily rely on incumbent management and because we employ different perspectives to improve performance, generate efficiencies and create value, we often develop new insights and strategies.

Through our extensive experience in operations, strategy, financing and investment, we have the expertise and resources to build better businesses through intensive, hands-on intervention. This experience, combined with our clear investment approach and our roadmap for value creation, enables us to operate and create value from the businesses we acquire.

OUR FIVE VALUE DRIVERS



1 TRANSFORMING STRATEGY

2 STRENGTHENING MANAGEMENT

3 DEVELOPING THROUGH CAPITAL EXPENDITURE

4 BUILDING THROUGH MERGERS AND ACQUISITIONS

5 LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

ABOUT US

1. TRANSFORMING STRATEGY

Identifying a transformational strategy is central to our approach of creating value and building better businesses. We look to invest in businesses which can be strengthened. This may involve implementing a new business model, repositioning a business within its industry, growing it through acquisitions or diversifying its markets.

We have implemented strategic changes in most of the 33 businesses we have invested in as part of our transformational private equity business, and we continue to review and refine the strategies of our portfolio companies throughout our ownership.

2. STRENGTHENING MANAGEMENT

Executive management is a key partner in every transformation, and we believe that management should be properly incentivised and aligned with Terra Firma and our investors to maximise the sustainable value of the business. We support the leadership teams of our businesses by working closely together with them throughout the ownership period and often augment incumbent teams with our own experts and with new hires. We will also bring in new management, when appropriate, to implement the different phases of our strategy.

We have appointed new CEOs in 29 of our 33 previous and current portfolio businesses.

3. DEVELOPING THROUGH CAPITAL EXPENDITURE

We are keen to invest further capital in our businesses to transform them. As part of this process, we look to implement new frameworks for capital expenditure programmes to improve long-term performance and help grow our businesses organically. Capital investment is controlled by Terra Firma using strict return criteria to ensure that new capital is deployed in the most value-accretive way.

Businesses under Terra Firma's ownership have invested more than €14 billion in capital expenditure.

4. BUILDING THROUGH MERGERS AND ACQUISITIONS

We look to grow our businesses through acquisitions, aiming to develop their scale and capability and improve their position within their industries to release synergies. Terra Firma's team has the ability and experience to efficiently integrate new acquisitions into existing portfolios.

Since 1994, Terra Firma has executed more than 70 additional bolt-on acquisitions through its 33 portfolio businesses.

5. LOWERING COST OF CAPITAL TO CREATE EXTRA UPSIDE

We look to lower the cost of capital within our businesses by repositioning them to reduce business risks. This may be through diversifying and stabilising their cash flows and resolving business and regulatory uncertainties. We will often refinance a business to ensure that each has the most appropriate financing in place.

ABOUT US

OUR VALUES

We believe that our shared values help us to achieve our strategic aims and create value for our stakeholders:

CREATIVITY

TENACITY

CHALLENGE

TRANSPARENCY

TEAMWORK

EFFICIENCY

Throughout our business, we encourage these six behaviours from our colleagues. They help us to ensure that team members work collaboratively to nurture good ideas and bring the best and most creative of them to fruition. We expect and encourage our colleagues to challenge perceived wisdom and traditional ways of doing things to unlock new ideas and generate operational and financial efficiencies. We employ the best and brightest talent and we foster an environment where our colleagues – from the most junior to the most senior – can thrive.

ABOUT US

OUR DIFFERENCE

COMPLEMENTARY PARTNERSHIP

Terra Firma is led by three Managing Partners, a team which combines the investment, strategic, operational and financial expertise of Guy Hands, Justin King and Andrew Géczy. Each is recognised as among the most influential leaders in their respective industries, and they bring almost a century of collective experience to our firm. It is a complementary partnership which collaborates closely throughout the investment process to create value from building better businesses.

INSTITUTIONALISED ALTERNATIVE INVESTMENT PLATFORM

We have developed a disciplined investment process that allows us to manage our investments from initial identification through to purchase, transformation and eventual sale. Underpinning this process is an institutionalised investment platform comprising transactional, strategic, operational, finance, tax and wider organisational capabilities.

ALIGNMENT AND TRANSPARENCY

The long-term alignment of interest between the investors, the private equity fund manager and its employees is of the utmost importance. Terra Firma has been one of the largest investors in each of our funds so we are strongly incentivised to maximise returns for our investors.

We provide our investors with a high level of transparency. We are committed to conforming with the Walker Guidelines on Disclosure and Transparency in Private Equity and were one of the first UK private equity firms to do so. Annual reports from the Private Equity Reporting Group, which monitors industry conformity with the Walker Guidelines, have consistently included Terra Firma's businesses as examples of good disclosure.

ABOUT US

2017 HIGHLIGHTS

TERRA FIRMA

£550m

OF NEW EQUITY RAISED TO FUND ANNINGTON'S GROWTH PLANS

7

NEW GRADUATE ANALYSTS JOINED TERRA FIRMA IN 2017

COMPLETED A REFINANCING OF WYEVALE GARDEN CENTRES

2

COMPLETED TWO INAUGURAL SUPPORT CAPITAL INVESTMENTS IN SPORTGROUP AND CLEOR

COMPLETED OUR EXIT FROM INFINIS, ONE OF OUR MOST SUCCESSFUL EVER INVESTMENTS

€1,440m

RETURNED TO INVESTORS

€719m

RETURNED TO CO-INVESTORS

ABOUT US

2017 HIGHLIGHTS

PORTFOLIO BUSINESSES

ANNINGTON

£4bn

WYEVALE GARDEN CENTRES
Launched its new transactional website

RTR
Record power generation of 478 GWh

FOUR SEASONS HEALTH CARE GROUP
brighterkind was awarded 'Residential Care Provider of the Year'

WELCOME HOTELS
Strong performance, providing 350,000 nights of accommodation during the year

CPC
Completed its seventh acquisition with Emus Nest cattle station in Queensland

ABOUT US

SUPPORT CAPITAL

A new area of investment focus for Terra Firma is Support Capital.

Terra Firma Support Capital ('Support Capital') provides tailored equity, hybrid and debt capital solutions to medium-sized European businesses, but without Terra Firma taking control. This allows them to pursue value-accretive opportunities, such as investing in growth capital expenditure and transformative M&A strategies. Support Capital helps capital-constrained businesses prosper through the provision of bespoke and flexible capital.

We provide an attractive and flexible commercial proposition to businesses and their owners, such as private equity sponsors and family owners, when alternative sources of capital are either not available or are not suitable. Support Capital allows existing owners to keep control, but we are able to provide the benefit of our experience in supporting growing companies with a very flexible approach to investment structuring.

We see things through the eyes of an equity investor. This enables us to identify opportunities where we can provide Support Capital in a way that will allow the potential of a business to be realised and generate attractive returns for shareholders. It also makes us more comfortable in managing potential downside situations than other capital providers.

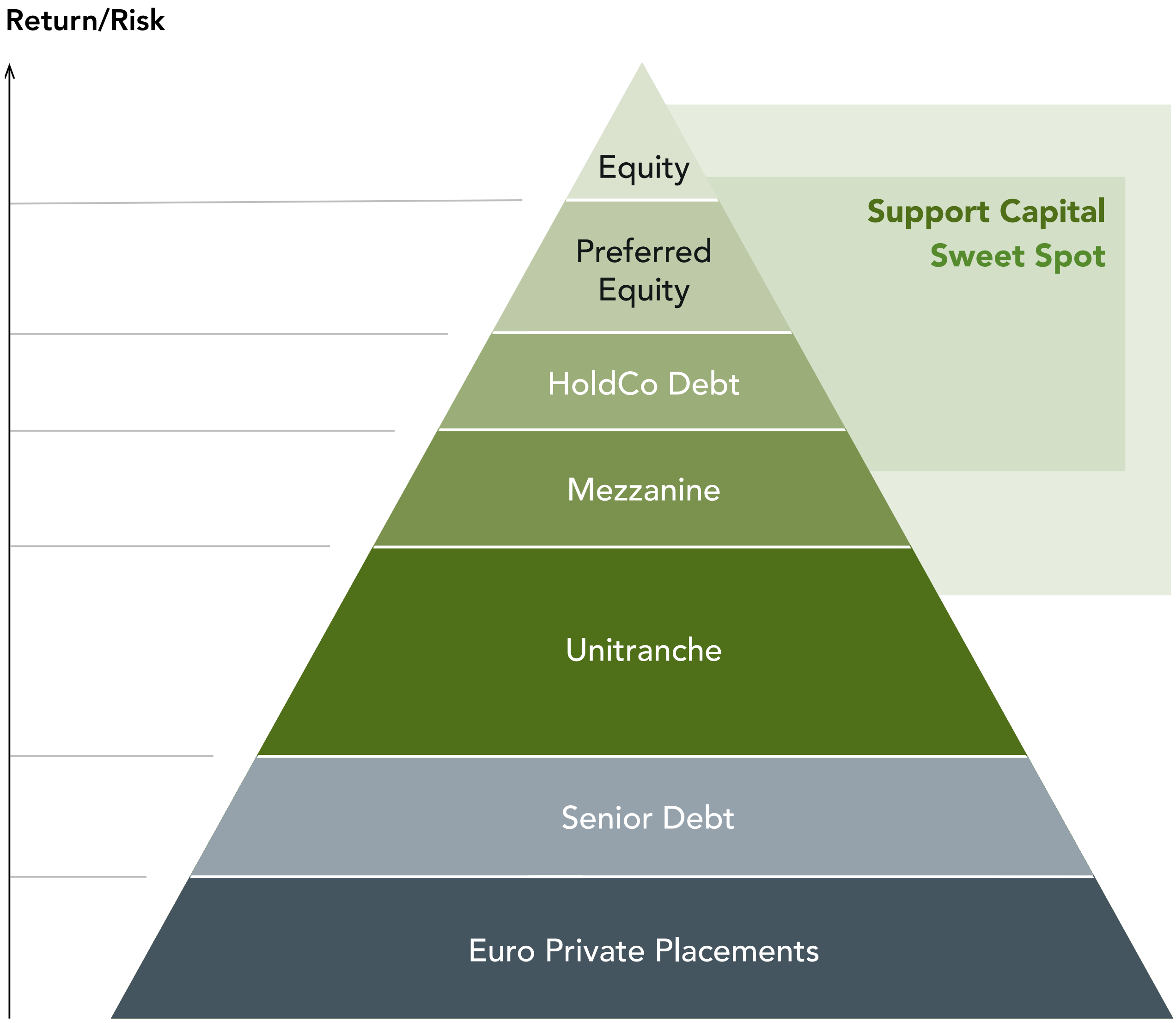
Support Capital is fully aligned with Terra Firma's vision of creating value and building better businesses. It enables us to give the benefit of our experience as private equity investors to support other owners. We understand businesses from the bottom up, we are analytical and data-driven investors, and we have honed our skills over more than two decades.

During the first half of 2017, we announced our first two Support Capital investments. In May 2017, Support Capital completed its first hybrid financing, with SportGroup, a Germany-based supplier of synthetic outdoor sports and recreational surface systems, owned by leading mid-market private equity firm, Equistone. SportGroup operates in several countries and has nearly 2,000 colleagues.

The second Support Capital investment was made in Cleor in June 2017. Cleor is a French jewellery retailer, owned by 21 Centrale Partners, and operates more than 140 outlets across France.

ABOUT US

A FLEXIBLE CAPITAL SOLUTION



ABOUT US

MARK ELLIOTT – HEAD OF SUPPORT CAPITAL

Q&A

Mark joined us in January 2018 from Lloyds Banking Group.

What attracted you to the role at Terra Firma?
Throughout my career, I have predominantly focused on building new teams that originate and execute bespoke structured finance solutions to help solve complex corporate finance challenges. After 20 years on the sell-side, I relished the opportunity to move into a buy-side role and utilise these skills. My new role at Support Capital very much fulfils my passion for leading new business ventures that require a high degree of entrepreneurial creativity. We are growing a new business line, which is hugely exciting.

What skills have you brought to bear at Terra Firma?
While in banking, I developed structured finance and risk management solutions for corporate and financial institution clients ranging from mid-market to FTSE 100 companies. I have also had significant experience in working out very complex, distressed situations following Lloyds' takeover of HBoS. This background has given me the right technical skills to create a hybrid product, such as that which Support Capital is offering, to help mid-market corporates prosper and allow investors to participate in equity-like returns whilst also limiting the downside. Apart from my technical skillset, I have always been focused on new business and team development. This has meant hiring and training the right people and making sure they are all pulling in the same direction, which is exactly what I am able to do here.

"We have generated over €750 million of new opportunities this year alone"

ABOUT US

What have you been working on since you joined?
Since I joined, we have been preparing for our fundraising process, which has been a multi-faceted approach. In addition to monitoring our two existing deals, SportGroup and Cleor, we have been building our pipeline and have generated over €750 million of new opportunities this year alone, with over €300 million across eight transactions currently undergoing due diligence.

How are you going to play your part in building better businesses?
Support Capital is all about building better businesses. We are focused on helping capital-constrained Western European mid-market corporates prosper. They may be portfolio businesses sitting in late-life private equity funds with no debt capacity or equity dry powder left.

They may be prospective portfolio businesses for newer private equity funds which are constrained by equity cheque restrictions as a result of concentration limits or the need to preserve equity for future growth initiatives. Or they may be one of the thousands of privately owned mid-market companies in Europe that have been hit by the banks' retreat from traditional lending, lack access to the wider capital markets and do not want to seek investment from other types of funds which typically demand a controlling position.

Support Capital offers a hybrid – debt and equity – alternative to co-investment or minority equity to enable those companies to fulfil their ambitions. However, because of the expertise that lies within the broader firm at Terra Firma, we can also manage any issues should they arise through our operational, hands-on approach. In this way, we can enjoy the upside, but also manage any downside.

What are your priorities for the next year?
My priorities for the coming year are very simple: create a compelling investment opportunity for our investors, and do some great deals! We already have a fantastic pipeline and so it will be a matter of picking and choosing the companies we want to support. It promises to be a very exciting 12 months ahead.

ABOUT US

VIVEK AHUJA – PARTNER & GROUP CFO

Q&A

At the start of 2018, we welcomed Vivek Ahuja as Group CFO and Partner. Vivek joined us from Standard Chartered Bank, where he was Deputy Group CFO.

What attracted you to the role at Terra Firma?
There were a couple of key drivers here. First, the organisation itself – the diverse leadership (Guy, Justin and Andrew) and the culture. Terra Firma is a driven organisation with a clear set of values and objectives around delivering operational transformation. The more I got to know about the business the more clarity I had in terms of the single-minded focus of everyone here – particularly with regards to the future direction of the firm and the desire to make successful investments!

Second, I was attracted by the role and the idea of my responsibilities spanning both the financial management of the firm and its portfolio businesses. Being a Partner and Group CFO gives me the opportunity to sit at the heart of the business and support the ongoing transformation of the firm.

What are your first impressions of Terra Firma?
My initial thoughts about this role have been borne out in practice. The culture is positive; everyone has the firm's interests at heart and there is a good team dynamic. I am surrounded by smart, driven people who want to see the firm succeed. The challenge now is to build and shape the platform against the backdrop of recent setbacks to enable us to deliver value to investors.

"Terra Firma is a really collegiate place with a clear set of values and objectives around delivering operational transformation"

ABOUT US

What are the key priorities for your first year?
I have three key priorities for my first year: to understand and contribute to the portfolio businesses and the operational transformation agenda or exit strategies that are in place for each of them; to enhance the discipline and focus on the financial management of the firm, particularly around how we run the business; and to provide input and challenge to the Partners and Deal Teams and be a mentor to the Terra Firma Finance Team.

How does Terra Firma compare with other places you have worked?
I previously worked in a business with 90,000 people and we have fewer than 100 in the Terra Firma team. This presents very different opportunities and challenges to my previous role. For example, in order to make changes in a larger firm it takes a lot longer to get things done because many things are done by committee. Here, we can get things done simply by getting together around a table and solving the problem. That makes it an exciting place to be. The positive culture is contagious and there is a single-minded focus on making successful investments and delivering value to our investors.

You are responsible for overall financial management of the firm and the portfolio businesses – how do you best support the Management team?
On the portfolio side, I support Justin through effective financial management and performance monitoring, enabling the CFOs of the portfolio businesses to do their jobs better. In practice, this means creating better quality reporting in order to allow us to have a clearer understanding of the numbers which means we are better able to challenge on performance. In terms of the firm more generally, I am responsible for all financial management and reporting as well as engaging on the financial and structural aspects of new deals and exits.

How are you going to play your part in building better businesses?
I will play my part by looking for new ways to enhance the financial effectiveness of Terra Firma that creates value for our investors and our portfolio businesses and also support the team as we look to acquire new businesses.

ABOUT US

ANDREW MILLER – PARTNER

Q&A

Andrew Miller, a Managing Director at Terra Firma, was made Partner in early 2018.

What attracted you to the role at Terra Firma?
There were two key angles – the personal and the commercial. As far as the personal aspect was concerned, I was looking for a more ‘plural’ type of role where I would be looking after more than one business and private equity was an obvious place to achieve that. I felt very comfortable with the idea of working for a private equity firm as I had already worked with several during my career in previous roles at portfolio companies, but Terra Firma stood out as a brand that I had followed for years and was clearly trying to reinvent itself.

From a commercial standpoint, I was very interested in the ethos of Terra Firma whereby it invests in really interesting businesses which have strong asset backing, but through a lens of operational transformation. As the world gets tougher, rather than gambling on leverage to earn returns for investors, more and more firms are going to have to invest in their operational strength. This is something Terra Firma has been doing for more than two decades.

What skills have you brought to bear at Terra Firma?
My corporate background was very much focused on understanding transformation through the use of technology. At Autotrader, then at The Guardian, I worked very hard to embrace different types of media, which had a huge impact on the way these companies were run. For example, when I started at Autotrader we physically produced 20 magazines, but by the time I left every one

> “We have been using technology to find new ways to add value to support a growth agenda”

ABOUT US

of them had moved online. Meanwhile, at Guardian Media I realised early on the importance of social media so we worked with Google and Facebook in particular to turn The Guardian from the fifth most read newspaper in the UK to the third biggest online audience in the world.

What I realised coming here is that no sector is immune to technology. For example, the internet of things will transform real estate and service businesses. I am already involved in early stage deals where we have been using technology to find new ways to add value to support a growth agenda.

What have you been working on since you joined?
Since I joined, my time has been principally taken up by AWAS and CPC. As Chairman of AWAS, I supported the business through its sale, which was a fascinating process. More recently I have spent a great deal of time with CPC, readying the business for sale. As I have already outlined, technology is impacting many sectors, even cattle ranches! We have been testing drone technology to monitor water stations. We have also invested in blockchain technology for cattle as a means of ensuring the traceability of our livestock.

How are you going to play your part in building better businesses?
As an operator within Terra Firma, a large part of my role is working with portfolio business management teams to support them through change as well as to ensure that they do the right thing. I am a firm believer in not cutting costs for the sake of it. Rather, we have worked hard to build the management teams of our portfolio companies with a view to working with them to achieve the best outcomes. At CPC, for example, I worked closely with the company to ensure that the Australian government is aware of our exit plans so that we could manage any sensitive issues appropriately.

What are your priorities for the next year?
I came here to look after our portfolio businesses, but also to focus on future investments so what really excites me is the opportunity to invest at exactly the time when the sectors we focus on are being disrupted by technology. The pace of change is always faster than one expects so the winners will be the strong management teams who understand that.

02

Our Portfolio

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OUR BUSINESSES

ANNINGTON

Annington is one of the UK's largest residential property owners, set up by Terra Firma in 1996 to invest in the MoD Married Quarters Estate

FY 2016-17[1] Rental Income: **£188m**

CPC

CPC is a leading Australian cattle business. The business has a carrying capacity of 400,000 cattle across its 16 cattle stations in Australia and two feedlots in Indonesia

FY 2017-18 Revenue: **A$128m**

FY 2017-18 EBITDA: **A$34m**

everpower

EverPower is a large US wind farm operator and developer, with 752 MW of operating capacity and a 2 GW development pipeline

FY 2017 Revenue: **$101m**

FY 2017 EBITDA: **$50m**

Four Seasons HEALTH CARE

One of the UK's largest care home groups, operating more than 300 sites over three complementary businesses: Four Seasons Health Care, brighterkind and The Huntercombe Group

FY 2017 Revenue: **£660m[2]**

FY 2017 EBITDA: **£54m[2]**

RTR

A leading Italian solar energy generator, established by Terra Firma to acquire 144 MW of PV capacity. RTR has 332 MW of capacity on more than 130 sites and produces enough electricity for 170,000 homes

FY 2017 Revenue: **€158m**

FY 2017 EBITDA: **€134m**

WELCOME HOTELS

A hotel chain, with 12 modern sites across Germany, catering to business and leisure customers

FY 2017 Revenue: **€55m**

FY 2017 EBITDA: **€8m**

Wyevale garden centres

The leading UK garden centre operator, with 148 sites across England and Wales

FY 2017 Revenue: **£337m**

FY 2017 EBITDA: **£23m**

[1] The most recent full year for which results have been published
[2] Results for the bond-financed group only

02 OUR PORTFOLIO

LETTER FROM JUSTIN KING
HEAD OF PORTFOLIO BUSINESSES

August 2018

Dear Stakeholder,

As Guy has already outlined, 2017 was a challenging year as we worked collectively to address the issues within our legacy portfolio, together with a focus on the ultimate realisation of value.

Consistent with our vision of a broad-based partnership at Terra Firma, we welcomed Vivek Ahuja and Andrew Miller to the Partnership at the start of the year; both bring unique skills and much relevant experience to the challenges we still face. Within the portfolio, the agenda has been simple: make the businesses the best they can be ahead of their exits, all of which are now in progress.

We have already been busy in that regard. May 2017 saw the successful completion of the sale of Infinis's onshore wind assets. This followed the sale of Infinis's landfill gas business in December 2016 and concluded the sale of all Infinis's operating assets. WRG/Infinis is one of our most successful investments and demonstrates our ability to create value for our investors by building better businesses. Then, in August last year, we completed the sale of AWAS to Dubai Aerospace Enterprise, which followed on from the sale of the SkyFin portfolio in 2015.

We also ran a two-stage sales process for EverPower, our US wind energy developer, and we reached agreement to sell a 752 MW portfolio of operating assets to a fund managed by BlackRock Real Assets. This transaction was completed in February 2018. We also agreed the sale of EverPower's 2 GW development pipeline and platform to German energy company, innogy. This deal completed in July 2018 and will deliver further value as innogy develops out the pipeline over the next two years. Our decision to divide up both AWAS and EverPower for sale reflected our conviction in the strength of each part of their businesses as standalone entities. This would not have been possible without our deep operational understanding and, undoubtedly in the circumstances, delivered the best achievable returns for investors.

LETTER FROM JUSTIN KING HEAD OF PORTFOLIO BUSINESSES

In the case of EverPower, the results were, however, disappointing, hampered in particular by the fall in US energy prices that occurred on the back of the sustained shale boom. However, the work we did with the pipeline in advance of the sale, securing development consents and initial power purchase agreement negotiations, helped deliver additional value.

During 2017, we also started working with advisers on exits for both CPC, our Australian cattle farm business, and RTR, our Italian renewable energy business. Sales processes for both businesses were launched in the first quarter of 2018.

CPC is the largest privately owned beef producer in Australia with a portfolio of 16 cattle stations covering 5.5 million hectares of land across Queensland, the Northern Territory and Western Australia. It now has a carrying capacity of nearly 400,000 cattle. Terra Firma has invested heavily in the business since we bought it in 2009, including acquiring additional properties and increasing our share in our Indonesian joint venture from 50 to 90 per cent. The Indonesian feedlots diversify our price risk as well as giving us direct access to a high growth market for beef.

At the end of last year, we continued that investment with the acquisition of Emus Nest, a Queensland station adjacent to CPC's genetics hub. Combining the two stations allows the company to extend its elite bull breeding operations, a key driver of future value. We appointed sales advisers to help us consider the potential exit options for CPC and we are now welcoming bids from Australian as well as international parties, having prepared the business for sale with this in mind.

RTR has also been working with advisers on its exit strategy and a sale of the business was agreed in July 2018. In 2011, we bought a portfolio of production sites amounting to 144 MW of production capacity. Through further acquisitions and a relentless approach to improving productivity, we have more than doubled capacity to create a 334 MW business which is best-in-class in its industry. We are proud to have built RTR from scratch into a business which today represents a unique platform from which to consolidate the still highly fragmented Italian and European solar industry. Solar remains the 'go to' green energy in most European countries and is set to benefit further from new technology in the coming years, particularly from improvements in storage. This created a strong basis from which to launch the sale of the business in 2018.

2017 was a very busy year for us across the portfolio, but one where we always kept one eye on the future

LETTER FROM JUSTIN KING HEAD OF PORTFOLIO BUSINESSES

Moving away from exits, in 2016 we acquired a group of well maintained, but disparate, three and four-star hotels in Germany trading under the Welcome Hotels brand. Last year was a year of consolidation and strong operational improvement. We have invested in improving both the team and the Welcome portfolio, completing the first additional acquisition early in 2018.

Turning to our UK businesses, our investments of Wyevale Garden Centres, Four Seasons Health Care Group and Annington have had a mixed 2017. Last year, I wrote that we had strengthened WGC's management team with a new CEO and CFO, following my own appointment as Chairman and, together, we have been working very hard to make progress against the backdrop of a difficult retail climate and some significant legacy issues.

We have focused on 'fixing the basics' and bringing good retail practice into the business, and our stock position and margins have improved as a result. However, although sales grew in 2017 for the first time in five years, the last quarter of 2017 and, indeed, the first quarter of 2018 were very disappointing. This in part reflects the tightening consumer backdrop as the UK approaches Brexit and particularly challenging weather in the early part of 2018. The business had to shift to a tight cost focus and, as a result, had to slow down some of its transformation programme as it prepared for an improved summer season and as we started to explore potential exit options for the business.

At Four Seasons Health Care Group, which includes the three sub-brands of Four Seasons Health Care, brighterkind and The Huntercombe Group, we saw operational improvements across the board in 2017. However, these notwithstanding, the structural challenges the business has faced for a number of years remained, and indeed got more difficult. As envisaged last year, the bulk of the business, which forms the High Yield Bond Group, is facing a major restructuring and entered into a standstill agreement with its major lender in December. Terra Firma is doing everything in its power to ensure this restructuring is consensual and has residents, their relatives and its employees at its heart.

Meanwhile, the 24 homes within the separate bank-financed part of the group, which trade under the brighterkind brand, continue to perform strongly. These separate homes are the subject of a rectification claim which was heard in the High Court of Justice in May 2018. We were pleased that, in June 2018, the High Court allowed our claim and rectified these errors, thus reaffirming Terra Firma's ownership of these 24 bank-financed care homes. However, it is possible that the decision will be appealed, in which case the case will not be finally resolved until the appeal has also been determined by the Court.

LETTER FROM JUSTIN KING HEAD OF PORTFOLIO BUSINESSES

In more positive news, this time last year I wrote that our property business, Annington, had started to explore the potential growth opportunities in the UK private rental sector and 2017 marked a huge step towards this goal when we announced a major refinancing. In July, Terra Firma successfully completed a £4 billion refinancing for The Annington Group which included raising £550 million of new equity from existing investors through Terra Firma Special Opportunities Fund II.

The new capital structure not only significantly lowered the cost of borrowing for the company, but provided growth capital to allow the company to explore the private rental sector market in earnest. In March of this year, for example, we were delighted to see Annington complete the acquisition of 207 homes from the developer St Modwen for £75 million. This transaction marked the first time that Annington had been able to take advantage of its newly flexible balance sheet and is the first step towards building the business's future growth story.

As you can see, 2017 was a very busy year for us across the portfolio, but one where we always kept one eye on the future. We are focused on building better businesses that drive sustainable value creation. We continue to look for new opportunities to enable us to deliver what Terra Firma does best: transforming businesses that are orphaned, undermanaged or misunderstood.

I would like to thank you for your support and draw your attention to the sections later on in this report that demonstrate our values and approach to corporate responsibility in our portfolio businesses. We remain proud of our record in this regard.

With best wishes,

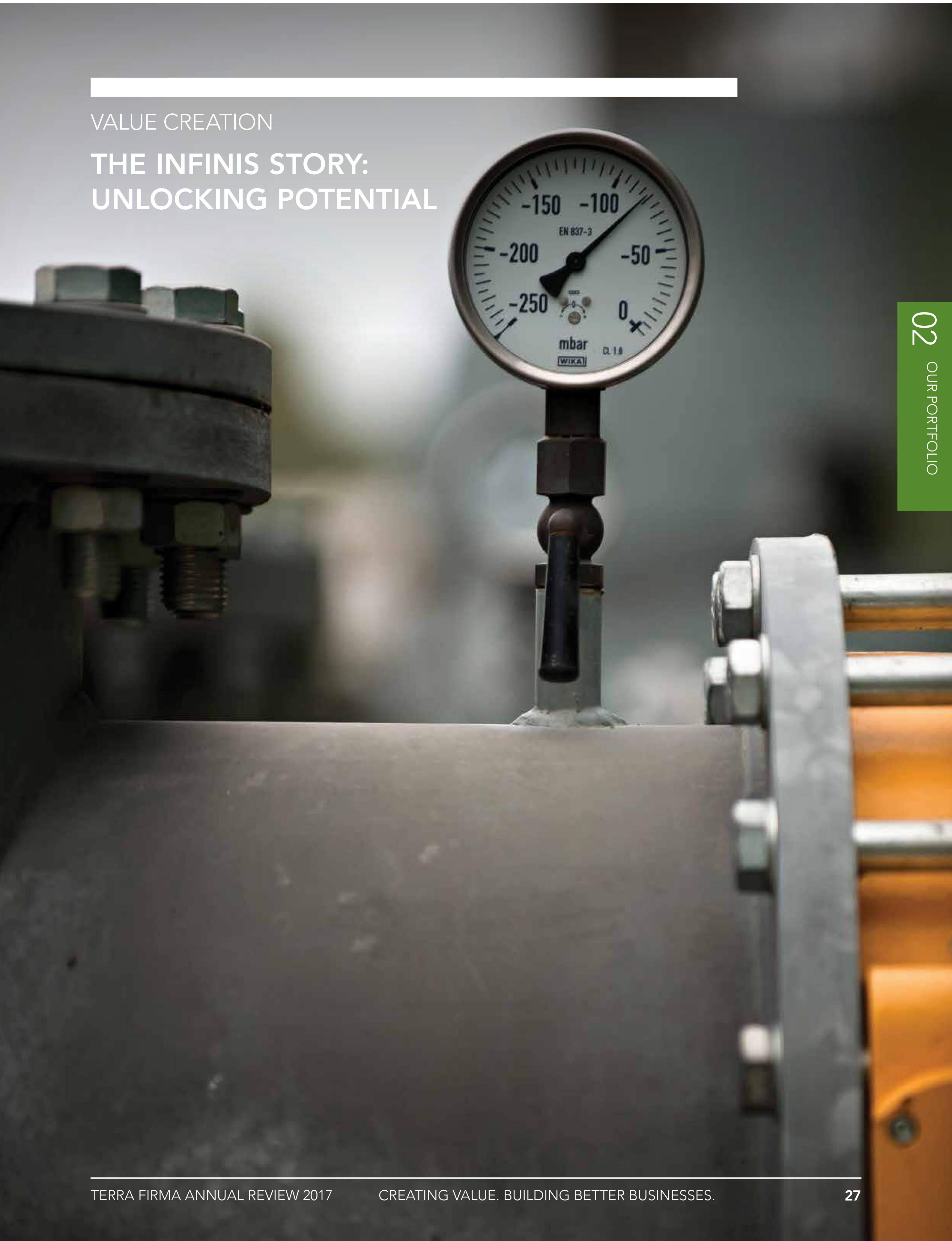
Justin King
Vice Chairman & Head of Portfolio Businesses

A letter from Guy Hands, Chairman & Chief Investment Officer, can be found at the front of this Annual Review.

A letter from Andrew Géczy, CEO, can be found in Section 3 – "Business and Financial Review".

VALUE CREATION

THE INFINIS STORY: UNLOCKING POTENTIAL



VALUE CREATION THE INFINIS STORY: UNLOCKING POTENTIAL

When Terra Firma took Waste Recycling Group ('WRG'), a publicly listed UK waste management business, private in July 2003, it bought an orphaned asset in an unloved sector.

Kelda plc, which owned nearly half of WRG's shares, had been exploring a sale for several months, but the sector had experienced difficulty in attracting capital. Long-term regulatory pressure had been aimed at reducing the reliance on landfill and, instead, was pushing the waste sector towards alternative treatment methods.

WRG, which was one of the largest UK waste companies at the time, handling around 15 million tonnes of waste per annum, spanned both ends of the spectrum. It held around 30 per cent of the UK space with planning consent for use as landfill, but was also a leading player in developing alternative waste disposal routes, such as incinerators.

Terra Firma, although it appreciated the risk from regulation, believed that landfill could never be completely removed as a disposal option, but rather would become part of a wider solutions mix. At the same time, its analysis had identified WRG's fledgling landfill gas business – its waste-to-energy operations – as an area for profitable growth.

This small and undermanaged part of the business was considered non-core by the WRG management team and so had been under-invested and its management outsourced to third parties.

Yet Terra Firma believed that this part of the company had the greatest potential. Under the UK's EU commitments and the Kyoto Protocol, the UK had agreed to target sourcing 20 per cent of its power from renewable sources by 2020. This, Terra Firma could see, would encourage a greater focus on alternative energy sources and induce state-supported incentives to encourage investment.

Before this could be fully realised, however, the business needed scale and so, in June 2004, Terra Firma acquired the UK landfill assets owned by Shanks, the third largest landfill operator in the country. The Shanks business handled over 5 million tonnes of waste – adding scale to the WRG platform and creating a company with a combined market share of 30 per cent of the UK's waste disposal market. The Shanks assets also extended the average life of the portfolio to 17 years, which was the longest life of any portfolio in the UK waste industry.

VALUE CREATION THE INFINIS STORY: UNLOCKING POTENTIAL

VALUE CREATION

The waste-to-energy division and combined landfill gas operations were then demerged into a standalone business and renamed Infinis. Of critical importance, Infinis retained the rights to the landfill gas produced from WRG's landfill sites which could be used as fuel to produce renewable electricity for the UK grid.

In September 2006, Terra Firma sold WRG's waste disposal business, generating a significant return for investors.

Terra Firma could now focus fully on the high growth and high margin renewable energy division. At the time of the 2003 acquisition, the landfill gas division occupied one small office at the back of WRG's Northampton headquarters. It had a handful of staff and systems which were barely meeting the needs of the business.

The group was quickly professionalised, the outsourced management team replaced, a standalone governance structure set up and a new management team put in place. This included a new Chief Executive, Chief Financial Officer, Commercial Director and, subsequently, a Head of Wind Development to accelerate the investment programme and enable the business to make the key step of diversifying into onshore wind. Around £260 million of capital expenditure was invested to support the execution of Infinis's acquisition and organic development strategy. Notably, Infinis's acquisition of Novera Energy in 2009 added 143 MW of installed capacity made up primarily of onshore wind and landfill gas with a small hydro asset base, and increased its wind development pipeline.

Under Terra Firma's ownership, the business grew from one production site to 141 sites. Total power generation capacity increased more than 11 times from 57 MW to over 600 MW through a combination of organic growth and acquisitions. Headcount grew fivefold from 75 to 380. This was supplemented by 15 members of the Terra Firma team who were seconded, over time, to support the Infinis team. The firm built a management team and board that had sector specific talent in onshore wind power, with the ultimate aim of creating a large-scale, diversified and profitable renewable generation business.

By establishing one of the industry's most advanced control and remote monitoring centres, Infinis was able to track the environmental and operational performance of its generating capacity across the UK on a real-time 24/7 basis.

VALUE CREATION THE INFINIS STORY: UNLOCKING POTENTIAL

Infinis was transformed into one of the UK's leading renewable energy generators

Terra Firma completed a number of refinancings of the business, decreasing the cost of capital and creating a strong platform for growth. In 2009, Infinis raised a £275 million, five-year bond backed by the landfill gas assets. This was refinanced in 2013 with a £350 million six-year bond with lower interest charges. In late 2013, Infinis refinanced its entire wind portfolio with a secured term loan facility, reducing the cost of debt by over 200 basis points, and was awarded 'European Onshore Wind Deal of the Year 2013' by Project Finance Magazine.

In November 2013, Terra Firma sold a 30 per cent stake in Infinis through an IPO, with the aim of selling-down its remaining stake over time. A turbulent regulatory environment meant that the public markets were significantly undervaluing the company and, by December 2015, Terra Firma saw a clear opportunity to take the company private and deliver a successful exit by selling the original landfill gas business and the onshore wind platform separately to different buyers with different ambitions.

Terra Firma sold Infinis in two separate transactions in 2016 and 2017. This was a highly complex process which required careful co-ordination with management and advisers given the headwinds of Brexit, the Scottish independence vote and regulatory uncertainty. In December 2016, Infinis sold its landfill gas activities to 3i Infrastructure plc. In May 2017, Terra Firma completed the sale of the onshore wind portfolio to institutional investors advised by J.P. Morgan Asset Management.

Under Terra Firma's ownership, Infinis was transformed from a non-core neglected group of assets in a waste management business into one of the UK's leading renewable energy generators, with underlying EBITDA growing twelvefold from £12 million to £143 million. The sale of the wind portfolio in May 2017 concluded Terra Firma's journey with Infinis, realising one of its most successful ever investments.

ANNINGTON

ANNINGTON IS ONE OF THE LARGEST PRIVATE OWNERS OF RESIDENTIAL PROPERTY IN THE UK

Annington's 2017 refinancing included one of the largest ever sterling corporate bond issues

YEAR END: 31 MARCH	2017	2016
Rental income	£188m	£183m
Team members	37	40
Properties sold	248	492

40,500 HOMES IN ANNINGTON'S PORTFOLIO[1]

[1] AS AT 31 MARCH 2017

OUR PORTFOLIO – ANNINGTON

BUSINESS DESCRIPTION

Annington was created in 1996 to acquire more than 57,400 residential properties comprising the Married Quarters Estate ('MQE') from the Ministry of Defence (the 'MoD'), the majority of which were immediately leased back to the MoD under a 200-year lease. Annington refurbishes and sells or rents homes on the open market when they are released by the MoD as surplus to its needs. Today, Annington owns around 40,000 units, the majority of which remain leased to the MoD.

INVESTMENT CRITERIA

Annington's acquisition of the MQE made it one of the largest private owners of residential property in the UK. The MQE portfolio is spread over England and Wales, with a strong regional bias to the South of England. Annington leases properties to the MoD in order for it to provide housing for married Service personnel and also to other private tenants. Upon release, Annington sells properties primarily into the UK's 'key workers' market, where there has been a long-term shortage of supply.

CREATING VALUE

TRANSFORMING STRATEGY

The strategy for the newly created business was to develop a flexible and cost-effective refurbishment and sales capability to maximise the potential from sites released by the MoD, and to explore specific opportunities related to either the existing portfolio or further MoD housing requirements.

Annington created a flexible sales organisation to deal with fluctuating numbers of properties released in unpredictable geographic locations. Through sensitive pricing strategies and the careful use of incentives, home ownership has been made a realistic option for those who may have been previously priced out of the UK's property market. Annington has helped more than 17,000 people buy their own home, with many of those being sold to first-time buyers, Service or ex-Service personnel and other key workers.

Following a successful refinancing in 2017, Annington has developed its growth strategy through making acquisitions in the private rental sector.

STRENGTHENING MANAGEMENT

The MQE properties were acquired with no management. A team was appointed to establish a robust governance and effective operating structure. Annington's operating model is based on a small core team that uses outsourcing as a major tool to meet the fluctuating requirements of the business.

DEVELOPING THROUGH CAPITAL EXPENDITURE

Capital expenditure has been deployed on property and site improvements to maximise the value from house sales. With the types of properties that Annington owns, the location and environment are very important and it dedicates substantial investment to creating an attractive environment and 'street scene' around the properties.

BUILDING THROUGH MERGERS AND ACQUISITIONS

Annington has added value through planning, redevelopment and infill development. It has also used available cash to acquire additional properties to lease to either the MoD or private tenants. Annington continues to work with the MoD to find innovative solutions to its housing challenges and to look for opportunities to leverage its established management platform to further its private rental sector strategy, such as its three recent portfolio acquisitions totalling more than 300 homes.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

The stable government-backed rental cash flow from the leased estate and Annington's impressive track record enabled the business, in 2017, to successfully complete a £4 billion refinancing, raising £3 billion in bond finance, £700 million in bank financing facilities and an additional £550 million in new equity. This has delivered a reduction in financing costs and far greater financial and operational flexibility.

CURRENT FINANCIALS

Annington generated £188 million of revenue for the year ended 31 March 2017, the most recent full year for which results have been published[1]. This was £5 million more than in 2016, due to rent increases from the December 2015 rent review, which were partially offset by the reduction in rental income as units were released by the MoD.

248 properties were sold during the year ended 31 March 2017; this was 244 lower than in the year to March 2016 because of the bulk sales that took place during the previous financial year.

CURRENT DEVELOPMENT PLAN

Annington has successfully implemented its strategy over many years. When surplus properties are released by the MoD, they are refurbished and rented or sold by the business on the open market. Annington also bulk leases properties to selected qualified counterparties, such as housing associations. The business operates both sales and rental strategies, as appropriate.

Annington will continue to look for opportunities to acquire new property portfolios in order to further its private rental strategy.

[1] As Annington has issued listed bonds, Terra Firma can only publish financial information which is publicly available at the time

OUR PORTFOLIO – ANNINGTON

James Hopkins

Andrew Chadd, James Hopkins

MANAGEMENT

James Hopkins
Chief Executive Officer
James joined Annington Homes Ltd as CEO in 1998. Prior to Annington, James was Managing Director of Hanson Land Ltd, a property development and management company established to undertake the £1 billion Hampton 'new town' development south of Peterborough. James was previously at Hanson plc. where he performed several roles involving asset management and property development, including directorships of both subsidiary and joint venture companies.

Andrew Chadd
Chief Financial Officer
Andrew joined the Annington board in 2003 and became CFO in October 2012. Andrew joined Nomura's PFG (the predecessor of Terra Firma) as a Finance Director in 1999. In this role, he was involved in a number of Terra Firma's portfolio businesses, including Annington, AWAS, Infinis, RTR and EverPower. Andrew was seconded to EMI in 2007 where he worked on a number of major initiatives, including acting as CFO of EMI Music.

Nick Vaughan
Commercial Director
Nick joined the Annington Group in 1998 as Financial Analyst and Programme Manager at Annington Management Ltd before becoming Commercial Director in 2001 and joining the Annington board later that year. Nick joined from The British Land Company plc. where he worked on several strategic property projects and acquisitions and, prior to that, Rosehaugh plc. where he was Finance Director of a number of group companies.

ANNINGTON

IMPROVING THE LIVES OF SERVICE FAMILIES

Annington has supported the communities on the Service bases where it owns properties over many years, providing valuable help, time, assets and funding to projects and causes which improve the lives of Service families.

During the 2016-17 financial year, Annington and its employees raised or donated over £160,000 to charities, with the majority used to support five charity partners over a three-year period.

Bag Books
helps young people with severe learning difficulties through creating multi-sensory books. Annington's donation has enabled the charity to visit an additional 30 schools, providing these special books and storytelling sessions to nearly 1,000 severely disabled young people.

The Connection at St Martin-in-the-Fields
provides support to homeless people in London, helping them get their lives back on track. Annington's donation was put towards operational costs, whilst over the summer, staff volunteers took a group of people on a day out at Kew Gardens.

Blind Veterans UK
helps former Servicemen and women who have become blind whether through active service, accident, injury, disease or old age. Annington's donation has supported a centre for rehabilitation and life skills for independent living at the Blind Veterans centre in Wales.

Reading Force
supports the social, emotional and mental wellbeing of Service families through the experience of shared reading by providing free books and reading scrapbooks to members of the Services and their families. Annington's donation has allowed the charity to recruit their very first Ambassador for Scotland.

The Ripple Pond
organises self-help support networks across the UK for the adult family members of physically or emotionally injured Service personnel and veterans. Annington was the charity's cornerstone benefactor. Annington employees have also volunteered their skills in helping the charity with their business plan, providing accounting services and financial planning and identifying additional funding streams for the charity.

To help maximise the impact from these charity partnerships, Charity Champions have been appointed to work with the charities and engage colleagues with fundraising and volunteering opportunities. Annington allows employees to take up to three days' paid leave per year to undertake volunteering work.

CPC

CONSOLIDATED PASTORAL COMPANY IS THE LARGEST PRIVATELY OWNED BEEF PRODUCER IN AUSTRALIA

CPC continued to invest in on-station improvements, leading to increased carrying capacity

YEAR END: 31 MARCH	2018	2017
Revenue	A$128m	A$110m
EBITDA	**A$34m**	**A$50m**
Cattle sold	86,000	73,000

400,000 CATTLE CARRYING CAPACITY[1]

[1] AS AT 31 MARCH 2018

OUR PORTFOLIO – CPC

BUSINESS DESCRIPTION

Consolidated Pastoral Company ('CPC') is the largest privately owned beef producer in Australia and one of the largest globally. Its operations include breeding, grass and grain-feeding cattle and domestic and live export sales across 16 stations in northern Australia and two feedlots in Indonesia. Its properties have capacity to hold 400,000 head of cattle.

INVESTMENT CRITERIA

At the time of Terra Firma's acquisition of the business in 2009, CPC had nearly 285,000 head of cattle, and a vast tangible asset base. The investment rationale was founded on strong global macroeconomic themes, with demand for protein increasing in the region due to an increasing population and changing diets in developing Asian economies. As one of the few major disease-free beef exporters in the world, Australia has access to markets which are restricted to other international suppliers.

Terra Firma saw an opportunity to enhance the operational and strategic management of the business, and to provide it with development investment in order to deliver its potential. This presented a unique opportunity to acquire assets with attractive fundamental attributes and to assemble a robust management team to reposition the business into a well capitalised, commercially focused organisation.

CREATING VALUE

TRANSFORMING STRATEGY

Upon acquisition, Terra Firma introduced a more commercial mindset to the business, along with an analytical capability to identify investment opportunities to develop existing assets, explore new geographical markets and make add-on acquisitions.

CPC has repositioned itself to be a customer-focused marketer of beef, as well as a highly productive cattle producer and a leader in operations and genetics.

STRENGTHENING MANAGEMENT

Terra Firma strengthened the incumbent operational team with a number of senior hires with decades of industry experience. In 2014 and 2015, a new CEO and CFO were appointed to lead the business through the next stage of its transformation.

DEVELOPING THROUGH CAPITAL EXPENDITURE

CPC has undertaken a significant capital investment programme to improve its cattle stations and increase their productivity, cattle carrying capacity and valuation. A number of strategic projects have enhanced all-weather station access to help drive year-round sales and reduce costs. CPC has also invested in increasing the productivity capacity of its land holdings through developing land-care activities, fencing, yards and new stock watering points. In the most recent financial year, CPC added a further 8,700 head of carrying capacity through its capex investment.

BUILDING THROUGH MERGERS AND ACQUISITIONS

Under Terra Firma's ownership, CPC has completed a series of station acquisitions, as well as some select disposals. Most recently, CPC acquired a 4,000 hectare property adjacent to its existing Allawah station in Queensland to expand its genetics hub.

Through its acquisition programme, CPC has enhanced its breeding and grazing capacity to support an increase in the size of the herd. This has also given flexibility in the way in which cattle are bred, grown and marketed, and it offers defensive possibilities in times of adverse climatic conditions.

In recent years, CPC has increased its stake in its Indonesian joint venture, JJAA, from 50 to 90 per cent. JJAA is a key part of CPC's portfolio performance and its position in the beef supply chain, and makes CPC the only Australian beef producer with a vertically integrated offshore presence.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

Risk has been reduced through the establishment of a forward-looking management team, the creation of integrated systems and processes, and a more diversified geographical exposure for both production and sales markets. The latter is being further supported through partnerships and further involvement along the supply chain.

In early 2018, the business successfully refinanced its existing debt facilities, at lower cost, in order to provide greater operational flexibility.

CURRENT FINANCIALS

CPC performed strongly during its financial year ended March 2018. Full year cattle sales revenue was A$128 million, A$18 million ahead of the previous year, reflecting higher sales volumes. Cattle destocking in Queensland as a result of dry conditions and higher Indonesian sales through JJAA accounted for the increase in sales. EBITDA for the year to March 2018 was A$34 million, a fall of A$16 million from the previous year, which had benefited from larger cattle revaluation gains.

Australian domestic cattle prices and live export prices remain relatively strong, although well below the highs seen in the past two years. The Eastern Young Cattle Indicator, a widely used Australian cattle price benchmark, ended the financial year to March 2018 at A$5.40/kg.

This was 17% lower than the previous year and, in general terms, is reflective of the impact of rainfall on supply volumes. CPC holds its cattle at market value, and the softer prices were largely offset by higher average cattle weights.

CPC, as with the wider Australian cattle industry, has witnessed significant increases in land values in recent years, reflecting increased demand for individual cattle stations and large-scale agricultural assets. CPC's land valuations were updated in the year to March 2017, increasing significantly. Further, albeit smaller, gains were recorded during the year ended March 2018.

CURRENT DEVELOPMENT PLAN

CPC continues to develop the business into a highly productive producer and market-focused supplier with a reputation for traceable, high quality cattle and beef. Its business plan comprises improvement and growth initiatives, which are focused on operational excellence, genetics, cropping, portfolio optimisation and the ability to serve South East Asian and domestic markets.

The integration of CPC's Indonesian joint venture, JJAA, has been completed, with further investment in the past year, and the business is now benefiting from an integrated value chain. The Indonesian market now provides the majority of CPC's revenue.

During the year, the business continued to invest in growth and operational improvements. The acquisition of Emus Nest in late 2017 will provide the business with an opportunity to extend its elite genetics operations.

OUR PORTFOLIO – CPC

Troy Setter

Jim Hunter

MANAGEMENT

Troy Setter
Chief Executive Officer

Troy joined as CEO in 2014 with responsibility for driving best-in-class operations at CPC. Troy has more than 20 years' experience in agribusiness, most recently serving as COO at Australian Agricultural Company. Troy previously held management positions at North Australian Cattle Pty Ltd, Killara Feedlot Pty Ltd and Torrens Investments Pte. He began his career at Twynam Agricultural Group.

Jim Hunter
Chief Financial Officer

Jim joined CPC in 2015 and is a KPMG-trained Chartered Accountant with 20 years' financial management experience within businesses including News Ltd, Pfizer Animal Health, Orica Explosives, RP Data and several start-ups across the manufacturing, IT, biotechnology, consulting and trading industries. Jim brings a wealth of experience in restructuring and merging/integrating to drive growth.

CPC

SHARING VALUES AND BUILDING COMMUNITY

CPC has always strived to be a responsible member of the community, no matter how remote the locations in which it operates.

As part of that commitment, it has forged close links with some of Australia's most remote indigenous communities, whether providing skills training, protecting property rights or working together with these traditional owners to safeguard local biodiversity.

Native Title

CPC engages closely with Indigenous Australians and a centrepiece of this commitment is native title, a property right which recognises that some Indigenous Australians have a traditional right and interest in the land.

Native title can coexist with non-indigenous property rights, and does so on a number of CPC properties which have native title determinations: Argyle Downs, Auvergne, Carlton Hill, Comely, Dungowan, Newcastle Waters, Newry, Nockatunga and Ucharonidge. CPC is proud to work alongside the traditional owners of the land and hopes to galvanise already strong relationships with present and emerging indigenous leaders.

Real Jobs

CPC has been involved in the Real Jobs Program since 2010 and has helped 31 indigenous people to develop the skills they need to develop career opportunities. This Northern Territory-focused project targets employment in the pastoral industry through on-property experience and accredited training, delivering benefits not just to the participants, but also to their wider communities.

Lake Woods

Lake Woods is a large freshwater lake on CPC's flagship Newcastle Waters station. The lake and the associated wetlands are highly significant animal habitats. For several years, CPC has engaged with programmes to help manage and protect this incredible asset. One such programme, the Lake Woods Wetlands Biodiversity Asset Protection project, concluded during 2017. Through this project, CPC worked with traditional owners from the Lake Woods area to document their knowledge of plants and animals handed down through the generations, developing educational materials to assist in ensuring that this precious indigenous ecological knowledge is passed on.

everpower

EVERPOWER IS ONE OF THE TOP WIND ENERGY PRODUCERS IN THE US

Terra Firma agreed the disposal of EverPower's operating portfolio and development pipeline

YEAR END: 31 DECEMBER	2017	2016
Revenue	$101m	$105m
EBITDA	**$50m**	**$50m**
Generation (GWh)	1,894	1,838

752 MW GENERATING CAPACITY[1]

[1] AS AT 31 DECEMBER 2017

OUR PORTFOLIO – EVERPOWER

BUSINESS DESCRIPTION

EverPower is a leading US wind energy development and generation company, with a significant portfolio of assets in the North East and West Coast power markets. Terra Firma has grown the business's operating capacity by 12 times to 752 MW since its acquisition in 2009 as well as creating a development pipeline of more than 2 GW.

EverPower sold its operating assets in early 2018 and completed the sale of its development business in July 2018.

INVESTMENT CRITERIA

Power generation is a core industry and the US renewable energy sector is growing, driven by the desire for energy security and supported by environmental policy. The financial crisis was a difficult period for the wind power sector, leaving many companies under-capitalised and unable to finance their development plans. This offered an opportunity to enter the market at a low point in the cycle, bring a disciplined approach to construction and development costs and to take advantage of the distressed market to pursue further acquisitions to generate scale.

Wind farms are an infrastructure-type asset class with established project financing channels and opportunities for long-term power contracts.

CREATING VALUE

TRANSFORMING STRATEGY

Since acquiring EverPower, Terra Firma has transformed the business from a development-focused business with a single operational site into a growth-oriented, high quality developer with a project pipeline of more than 2 GW, and a utility-scale owner and operator of wind generation assets totalling 752 MW across seven sites. The business has been positioned to maximise value through a combination of long-term power purchase agreements and merchant trading positions.

STRENGTHENING MANAGEMENT

EverPower has developed capabilities across all critical operational functions, including development, procurement, construction, maintenance, commerce and finance. This has been achieved by supplementing the original management with selective hires to broaden and deepen the team. The company has also been professionalised through the establishment of an appropriate board, governance and organisational structure.

DEVELOPING THROUGH CAPITAL EXPENDITURE

Under Terra Firma's ownership, EverPower has invested more than $500 million in the construction of new wind farm assets. This has allowed EverPower, through both a targeted procurement programme and well established relationships with all major suppliers, to build out the portfolio quickly and at low cost.

BUILDING THROUGH MERGERS AND ACQUISITIONS

Terra Firma has built EverPower into a renewable energy generator of significant scale. Along with building out four sites from the development pipeline, Terra Firma has invested in growth through targeted acquisitions. EverPower purchased the 150 MW Mustang Hills Californian wind farm in 2012, followed by the 240 MW Big Sky wind farm in Illinois in 2014.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

Through rapidly and efficiently managing the development project pipeline, EverPower qualified for US government cash grants on all the projects it has constructed, effectively lowering its cost of capital. By working with Terra Firma and leveraging the team's relationships and expertise, the business put in place low-cost, competitive construction and project financings at attractive levels. The team also successfully led the execution of privately placed long-term debt and continued to optimise the balance sheet.

CURRENT FINANCIALS

Revenue of $101 million in 2017 was $4 million lower than the previous year, primarily due to lower merchant renewable energy certificate revenues than in 2016. Production of 1,894 GWh was up 56 GWh compared with the prior year.

EverPower, once again, operated its wind farms at industry-leading levels, achieving 98% availability for 2017, consistent with the high standard set in previous years.

EBITDA was unchanged at $50 million, as the result of increased operating efficiency.

SALE

Terra Firma completed the disposal of EverPower's 752 MW portfolio of operating wind farm assets to a fund managed by BlackRock Real Assets in early 2018.

The sale of EverPower's development operations and pipeline of more than 2 GW to innogy was completed in July 2018.

OUR PORTFOLIO – EVERPOWER

Jim Spencer

Michael Current

MANAGEMENT

Jim Spencer
Chief Executive Officer
Jim founded EverPower in 2002 and has over 25 years' experience in the power industry, managing the development and financing of energy projects. Prior to EverPower, he served as an adviser to Renewable Energy Systems Ltd and was instrumental in establishing its Asia Pacific presence in NSW, Australia. His earlier roles included President of Sithe Asia Holdings Ltd and Vice President of Prudential Capital Corporation in the Utilities & Finance Group.

Michael Current
Chief Financial Officer
Mike joined EverPower as CFO in 2015 and has over 20 years' experience in energy and finance. He was previously with NRG Energy, Inc. where he most recently served as Vice President of Strategy and M&A. Prior to joining NRG, Mike held various key financial and planning positions in corporations such as Entergy Corporation, Transocean, Inc. and Longhorn Partners Pipeline.

Andrew Golembeski
Executive Vice President and Chief Operating Officer
Andrew is one of the founders of EverPower and has more than 20 years' experience in the power industry. Prior to EverPower, he was Vice President of Sithe Energies, Inc. Andrew's expertise spans a variety of technologies in the US and internationally, and includes wind, solar, coal, combustion turbines and hydro plants.

EVERPOWER

ADDING POWER TO LOCAL ART MUSEUMS

In addition to the work which EverPower undertakes to support environmental awareness and initiatives in the communities where it operates, it also seeks other avenues to be part of those communities.

It recently provided matched funding to a programme at the Andy Warhol Museum in Pittsburgh, where EverPower is based. EverPower is helping to improve the demographic and cultural diversity of the art museum's curatorial and management leadership through a generous matching gift in support of the museum's recently awarded three-year Diversifying Art Museum Leadership Initiative ('DAMLI') grant.

DAMLI is a matching grant pilot programme funded by the Walton Family Foundation and the Ford Foundation. The Foundations have committed $6 million over three years to support a limited number of US art museums that are developing strategies and programmes to diversify curatorial and management leadership. All grantees were required to secure matching funds in support of their programmes, and EverPower was proud to be able to support this local initiative.

Four Seasons HEALTH CARE brighterkind the huntercombe group Believing and achieving together

FOUR SEASONS HEALTH CARE IS THE UK'S LARGEST INDEPENDENT ELDERLY AND SPECIALIST CARE PROVIDER

brighterkind was awarded Residential Care Provider of the Year in 2017

YEAR END: 31 DECEMBER	2017[1]	2016[1]
Revenue	£660m	£686m
EBITDA	**£54m**	**£55m**
Beds	16,400	18,500

[1] Results for the bond-financed group only

c.330 SITES[1]

[1] AS AT 31 DECEMBER 2017. FOR THE BOND-FINANCED GROUP ONLY

OUR PORTFOLIO – FOUR SEASONS HEALTH CARE GROUP

BUSINESS DESCRIPTION

Four Seasons Health Care ('Four Seasons' or the 'Group') comprises three separate operating brands: Four Seasons Health Care ('FSHC'), which provides care services with a particular focus on dementia; brighterkind, which focuses on private residential and nursing care; and The Huntercombe Group ('THG'), which provides specialised services in mental health, brain injury and neurodisability.

CAPITAL STRUCTURE

Terra Firma's investment is held within two separate financing groups. The assets from the original acquisition were financed by two bond issues, and subsequent acquisitions of 24 homes, which now form part of the brighterkind operating brand, were financed through separate bank debt facilities.

For some time, Terra Firma and the Group have been clear that, given the challenges faced in the sector and the ensuing financial results, the capital structure of the bond-financed part of the business was not suitable for the long-term needs of the business. Since late 2017, the business has been in discussions with its largest creditor to deliver a restructuring of its capital structure. Terra Firma supports that aim, which is in the best interests of the business, its residents and other service users, colleagues and other stakeholders.

INVESTMENT CRITERIA

The Group represented an opportunity to acquire a business with a strong position within a changing industry. The strategic rationale underlying the investment was underpinned by the expectation that demand for care is expected to grow over the long term, driven by an ageing population.

CREATING VALUE

TRANSFORMING STRATEGY

Upon acquisition, Terra Firma undertook a detailed and comprehensive strategic review of the business. This led to a reorganisation of the Group into three separate businesses with distinct customer propositions.

Terra Firma has also taken steps to better leverage the business's scale, undertaking a number of initiatives in workforce management, facilities management, procurement, pharmacy services and food supply.

STRENGTHENING MANAGEMENT

In segmenting the organisation, Terra Firma recruited CEOs for each of the three businesses, ensuring each has the leadership focus necessary to drive further growth. These CEOs have been empowered to set up management teams to implement their respective business strategies.

DEVELOPING THROUGH CAPITAL EXPENDITURE

The Group has undertaken a significant capital expenditure programme to refurbish the majority of homes in brighterkind, to further develop the dementia proposition within FSHC, to enhance the quality of care through its industry-leading Quality of Life Programme, and to develop additional facilities in high growth areas in THG with a view to delivering better care, higher occupancy and improved margins.

BUILDING THROUGH MERGERS AND ACQUISITIONS

The elderly care market is highly fragmented and, since acquisition, the Group has completed a number of accretive add-on investments. In 2013, it acquired two portfolios of 17 and four private-care focused homes respectively, which helped bring scale to brighterkind. This was followed by the acquisition of a further seven private-care focused homes in 2014.

CURRENT FINANCIALS

In 2017, the high yield bond financed part of the Group produced revenues of £660 million, 4% lower than in 2016. This reflects several site closures and disposals. Excluding those, revenues were up 7%. EBITDA for the high yield bond group was £54 million compared with £55 million in 2016.

RECTIFICATION

In 2017, the parent of the Group made a claim before the High Court to rectify errors in certain security documents relating to its bond issuance, which gave the bond-financed group security over the separate group of 24 homes.

We were pleased that, in June 2018, the High Court allowed our claim and rectified these errors, thus reaffirming Terra Firma's ownership of these 24 bank-financed care homes. However, it is possible that the decision will be appealed, in which case the case will not be finally resolved until the appeal has also been determined by the Court.

OUR PORTFOLIO – FOUR SEASONS HEALTH CARE GROUP


Tim Hammond


Jeremy Richardson


Valerie Michie

MANAGEMENT

Robbie Barr
Group Chairman
Robbie was appointed Chairman of Four Seasons Health Care Group in 2016. Robbie previously served as an Operational Managing Director of Terra Firma Capital Partners, as the Chairman of Odeon & UCI Cinemas, Deputy Chairman of the Supervisory Board, and acting CEO, of Deutsche Annington and a director of AWAS. Previously, Robbie held a number of senior positions at Vodafone Group plc, including the role of Group Financial Controller and the regional CFO for Vodafone's businesses outside Western Europe.

Tim Hammond
Chief Executive Officer – FSHC
Tim was appointed CEO of FSHC in 2014, the sixth organisation he has led. Tim most recently served as CEO of Elio UK, a contract caterer which operates over 600 restaurants for business, education, care and several other sector organisations. Previously, he ran Barchester Healthcare and TGI Friday's at Whitbread. He has held other senior positions at Whitbread and Unilever, and has been a consultant at McKinsey & Company.

Valerie Michie
Chief Executive Officer – THG
Valerie joined as CEO of THG in 2014. Valerie most recently served as the Managing Director of Serco Health, and previously held senior management positions at Serco Integrated Services, Alfred McAlpine Business Services and KPMG Consulting.

Jeremy Richardson
Chief Executive Officer – brighterkind
Jeremy joined as CEO of brighterkind in 2014. He was most recently Executive Chairman of Menzies Hotels, where he was responsible for the turnaround of the business and its sale in November 2013. He previously set up Kew Green Hotels, which he grew to become one of the UK's leading hotel management companies, before leaving to become a Director of Bourne Leisure, the owner of Haven Holidays, Butlins and Warner Leisure Hotels. He has also been a consultant at Bain & Company.

Ben Taberner
Group Chief Financial Officer
Ben was appointed Group CFO in 2010. He joined Four Seasons Health Care Group in 2003 as Group Financial Accountant with responsibility for the Group's debt and corporate restructuring as well as statutory and investor reporting. Previously, Ben was a senior manager at KPMG in London and Manchester, focusing on the audit of international groups.

FOUR SEASONS

DELIVERING THE RIGHT CARE WHERE AND WHEN IT'S NEEDED

Delivery of the highest quality care to the residents and other service users is Four Seasons' overriding objective.

That can only be achieved through the highly trained and engaged colleagues who deliver that care across more than 300 sites. Investing in its people is therefore a key priority for the three businesses which make up the Group.

Each of the three businesses operates independently, but each has a core focus on recruiting, developing and retaining team members. Comprehensive training and career development schemes are in place, with notable examples being the Care Home Assistant Practitioner programmes and Nurse training schemes to improve skills and career opportunities for nurses within the Group. Within THG, a 'Grow Our Own Nurses' programme was launched to encourage its support workers to consider a career in nursing. Each of the three businesses has seen improvements in colleague engagement and retention rates.

The Group has three distinct operating brands: brighterkind, a brand entirely created under Terra Firma's ownership, operates approximately 70 homes. The development of a unique operating culture has been a key part of its success. brighterkind's core values: 'Keep it simple, Sort it, Do it from the heart, Choose to be happy and Make every moment matter', are reinforced by 'pacesetters' in each home. These colleagues receive training to enable them to lead the culture in each site.

brighterkind uses Net Promoter Scores ('NPS') to measure colleague and resident experience. Customer NPS in 2017 increased to 50, and those for colleague engagement also increased, with further improvements expected in 2018.

These results are part of the backdrop to the success of the brighterkind operations – reflected in 2017 when it won the Residential Care Provider of the Year award from HealthInvestor.

RTR IS ONE OF EUROPE'S LARGEST SOLAR ENERGY PRODUCERS

RTR produced record generation and revenue in 2017

YEAR END: 31 DECEMBER	2017	2016
Revenue	€158m	€146m
EBITDA	**€134m**	**€124m**
Generation (GWh)	478	444

332 MW GENERATING CAPACITY[1]

[1] AS AT 31 DECEMBER 2017

OUR PORTFOLIO – RTR

BUSINESS DESCRIPTION

RTR is one of the leading solar photovoltaic ('PV') operators in Italy and among the largest in Europe. Following the addition of a further 2 MW in early 2018, RTR now has 334 MW of installed capacity across 134 production sites in Italy.

INVESTMENT CRITERIA

RTR owns a portfolio of high quality solar plants across mainland Italy, Sicily and Sardinia. Around 85 per cent of RTR's revenue is fixed under a 20-year 'feed-in' premium set by the Italian government.

In a young and fragmented industry with downside protection from the asset-heavy nature of the operations and the long-term feed-in premium scheme, RTR offered the opportunity to create a market-leading infrastructure business through consolidation and professional management.

CREATING VALUE

TRANSFORMING STRATEGY

From a group of orphaned assets, RTR has been developed into one of Europe's leading renewable energy businesses through a 'buy and build' strategy. Terra Firma's previous experience, through its investments in Infinis in the UK and EverPower in the US, enabled the establishment of best-in-class processes and systems to professionalise operations.
The business is now well placed to grow rapidly through further consolidation and through the development of new sites.

STRENGTHENING MANAGEMENT

RTR was an asset-only acquisition. Terra Firma put in place staff, systems and corporate headquarters, and recruited a top management team to work with Terra Firma to scale the business quickly and effectively.

DEVELOPING THROUGH CAPITAL EXPENDITURE

RTR has made significant investment in upgrading the effectiveness of its infrastructure. Its industry-leading remote monitoring system and central control room represent a key competitive advantage over other players in the market, and the business continues to invest in a number of initiatives to increase the operating efficiency of its solar plants.

BUILDING THROUGH MERGERS AND ACQUISITIONS

The Italian solar PV market is both large and highly fragmented. Since the initial acquisition in 2011, RTR has acquired a further eight portfolios which have more than doubled its installed capacity from 144 MW to 334 MW. The business has established itself as a key player in the consolidation of the Italian PV sector and as a platform for the ongoing consolidation of the wider European sector.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

Operating risk has been reduced through developing high quality in-house asset management, monitoring teams and long-term contracts with Terna, the Italian national grid operator, for the maintenance of the existing PV installations, including guarantees on equipment and production. RTR offers an attractive funding proposition given the long-term fixed price nature of the Italian feed-in tariff regime. Additionally, RTR has developed energy trading capabilities, which allow it to further reduce its exposure to electricity price volatility.

CURRENT FINANCIALS

RTR earns revenue mainly from the Italian government's feed-in premium scheme, which accounts for around 85 per cent of revenues. The feed-in premium rates are fixed for 20 years. As part of its management of merchant power sales, RTR also typically enters into forward energy sales contracts for the majority of its annual output.

RTR produced 478 GWh of power in 2017, which was 34 GWh higher than the previous year, and was a record for the business. RTR's PV plants continued to perform well, with industry-leading performance ratios and plant availability that continued to average over 99 per cent.

2017 revenue was €158 million, which was 8% higher than in 2016 on a like-for-like capacity basis, mainly driven by higher irradiance. The business generated EBITDA of €134 million, again the highest since the business was founded.

CURRENT DEVELOPMENT PLAN

With a further 2 MW acquisition in the second quarter of 2018, RTR has now completed eight bolt-on acquisitions. RTR has proven capabilities in identifying and executing consolidation opportunities, rapidly integrating them into its operational platform and improving their performance. The business is in a good position to consider further consolidating acquisitions in 2018 and beyond.

RTR has high quality monitoring and control systems and operates at high levels of plant availability. However, the business aims to make continual improvements to its production infrastructure and more projects to further improve energy yields are scheduled for 2018 and beyond.

RTR is assessing the potential application of energy storage technologies to solar generation through pilot projects, and is well placed to take advantage of the commercial opportunities this could bring.

With the continued decline in capital costs and improved yields, solar PV is already at, or approaching, grid parity in Italy, whereby the cost of producing power from a newly built plant over its life is consistent with power prices, and hence development no longer requires economic incentives. The Italian government's targets for solar PV generation foresee a significant growth in the sector in the coming years, with enabling policies to provide revenue predictability being developed. RTR is assessing the opportunities for new build PV plants which have been created by these developments.

OUR PORTFOLIO – RTR

Ingmar Wilhelm

Stefano Lagna

Matteo Riccieri

MANAGEMENT

Ingmar Wilhelm
Chairman and Chief Executive Officer
Ingmar was appointed CEO of RTR in March 2017 and has been Chairman of RTR since 2014. Ingmar has worked in the energy industry for over 25 years and led a number of growth-oriented businesses. He previously worked for Terra Firma as a Managing Director in charge of investments in renewable energies. In addition to his roles at RTR, he has also served on the Board of EverPower, Terra Firma's US-based wind energy platform.

Prior to Terra Firma, Ingmar was in charge of global business development at Enel Green Power, where he was directly responsible for a worldwide project pipeline of around 30 GW and a global team of 180 people. Previously, he was responsible for the marketing and sales of Enel Group's power and gas client portfolio in Italy. Ingmar has also worked with E.ON and Électricité de France.

Stefano Lagna
Chief Financial Officer
Stefano joined RTR as CFO in 2016. Before RTR, he served as CFO at Slovenské elektrárne, the incumbent nuclear and conventional power generator in the Slovak Republic which was part of the Enel Group. He started his career at Procter & Gamble and then joined Enel where he spent more than 15 years in roles including trading, distribution, energy sales and telecommunications.

Matteo Riccieri
Chief Operating Officer
Matteo was appointed COO of RTR in 2016 after having worked with the company for over five years as Regional Manager. Prior to this, Matteo was head of project development at BP Solar, covering the authorisation, construction and subsequent sale of several utility-scale PV projects. Additionally, Matteo was responsible for supervising the production and sale of energy from wind, hydro and biomass plants at BP.

RTR

PUTTING SAFETY FIRST

In 2017, RTR's operations provided power equivalent to that used by 170,000 average Italian homes.

RTR has always focused on safe operating practices on the sites which generate that power. During the year, RTR continued its efforts to improve health and safety operations across the estate. RTR has been a leader in the sector with its approach to both occupational health and safety and to environmental management for a number of years, and has had its approach certified to OHSAS 18001 and ISO14001 standards. This requires a holistic approach to safe operating practices.

RTR undertakes safety exercises with partners on its sites. In 2017, for example, the RTR team, local fire teams and the airport's own emergency staff conducted fire emergency drills and training covering the electrical and fire risks relevant to RTR's plant near to Rome's Fiumicino airport.

Elsewhere, RTR continues to engage with its local communities, with social initiatives such as hosting school visits to its plants.

WELCOME HOTELS

WELCOME HOTELS IS A PORTFOLIO OF MODERN, WELL MAINTAINED THREE- AND FOUR-STAR HOTELS ACROSS GERMANY

Welcome has focused on its customer proposition, improved operating efficiency and consolidation opportunities

YEAR END: 31 DECEMBER	2017	2016
Revenue	€55m	€53m
EBITDA	**€8m**	**€8m**
Rooms sold	351,000	n/a

350,000 GUEST NIGHTS[1]

[1] IN THE YEAR TO 31 DECEMBER 2017

OUR PORTFOLIO – WELCOME HOTELS

BUSINESS DESCRIPTION

Welcome Hotels is a portfolio of modern, well maintained three- and four-star hotels across Germany which cater to a mixed client base of business (meetings, incentives, conferences and exhibitions) and leisure customers. Each year around 350,000 guest nights are spent and over 5,000 events are hosted at Welcome Hotels.

INVESTMENT CRITERIA

In 2016, Terra Firma acquired 12 three- and four-star hotels from a family which had decided to focus on its core brewery business. As part of the transaction, Terra Firma acquired several of the freehold titles to these hotels.

The hotel market in mid-tier German cities is fragmented, consisting primarily of sub-scale independent groups. This was identified as an opportunity to expand Welcome Hotels' presence across the region, along with significant scope to further develop the brand and increase its recognition.

Over the past decade, the German hotel market has shown significant growth and a high degree of resilience, particularly during the financial downturn after 2008. This robust performance has been driven by the highly domestic nature of the German hotel market. The majority of Welcome Hotels' customers are business clients from the German 'Mittelstand', an economic group representing small-to-medium enterprises and larger, usually family-owned, organisations that form the backbone of the domestic German economy. The Mittelstand is spread across the country, with a high concentration in second- and third-tier cities, which leads to high demand in these areas.

CREATING VALUE

TRANSFORMING STRATEGY

Terra Firma is building a scalable platform with a broad focus on the German Mittelstand market. This involves a customised strategy for each individual hotel to cater to its targeted customer groups.

By enhancing and implementing a more targeted offering across the portfolio, Welcome Hotels aims to improve room rates and occupancy. The Group will continue to attract business travel and events, which provide highly stable revenue streams, while enhancing its leisure offering to improve occupancy throughout the week and calendar year.

STRENGTHENING MANAGEMENT

Following the acquisition, Terra Firma appointed a new Chairman, CEO, CFO and Head of Sales to establish a sustainable growth platform. The head office was relocated to Frankfurt in order to recruit from larger talent pools.

DEVELOPING THROUGH CAPITAL EXPENDITURE

Terra Firma has developed a maintenance and capital expenditure programme to refresh the current hotel portfolio, which will enhance the customer experience and drive operational improvements.

The business continues to see further development investment opportunities. One such development will see the opening later in 2018 of a new 160-bed hotel in Neckarsulm, a town near Stuttgart.

BUILDING THROUGH MERGERS AND ACQUISITIONS

Welcome Hotels' platform provides an opportunity to grow through acquisitions and consolidate a fragmented mid-tier hotel market, and benefit from efficiencies of scale. In the early part of 2018, Welcome Hotels acquired a hotel in Euskirchen, a mid-sized town close to Cologne and Bonn.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

As the Group's scale increases, Terra Firma aims to pursue financing options to lower the cost of capital.

CURRENT FINANCIALS

The German hospitality industry performed strongly again during the year, with 2017 being the eighth consecutive year of growth in German hotel visits. This was primarily due to higher demand from domestic guests, along with growth in foreign travel to Germany.

Welcome Hotels enjoyed increases in both occupancy rates and average room prices, giving revenue of €55 million for 2017, €2 million ahead of the previous year. EBITDA of €8 million was in line with 2016, reflecting the ongoing investment in building the Welcome Hotels platform.

CURRENT DEVELOPMENT PLAN

Prior to Terra Firma's acquisition, Welcome Hotels lacked a distinctive marketing position and customer offering. The business has conducted a detailed, site-by-site review to determine each individual hotel's positioning and is developing its service offering accordingly.

Terra Firma continues to look for opportunities to expand Welcome Hotels' presence across Germany and to manage the portfolio through disposals where appropriate.

OUR PORTFOLIO – WELCOME HOTELS


Karl Schattmaier


Christoph Scherk

MANAGEMENT

Karl Schattmaier
Chief Executive Officer
Karl joined the business in 2017. He brings extensive hotel and leisure experience, having previously served as Managing Director of Thomas Cook's hotel division and as CEO of Steigenberger Hotels for 14 years.

Dr. Christoph Scherk
Chief Financial Officer
Christoph joined the business as CFO in 2017 following the acquisition by Terra Firma. Before joining Welcome Hotels, Christoph was CFO of International Hospitality Service Group. Prior to that, he held several CFO positions at Worldhotels, Trust International (now part of Sabre Hospitality Solutions) and the Arabella Hospitality Group.

WELCOME HOTELS

TRAINING IN REVERSE

Operating in the hotel sector, where customer care is key, Welcome Hotels is focused on the continual development of its colleagues.

In 2017, Welcome Hotels launched a revised set of operating principles to guide the way team members go about their work. These aim to improve the clarity and simplicity of the group's operating procedures, and to drive an approach centred around the customer experience. Getting this right brings greater satisfaction to colleagues and customers alike.

Welcome Hotels developed a set of tools around 'reverse thinking' – which involved having the team work back from the intended customer and colleague experience.

The business has recently been recognised with an award for 'Excellent Traineeship' in recognition of the work it does in developing colleagues at the start of their working lives.

Wyevale garden centres

WYEVALE GARDEN CENTRES IS THE LARGEST GARDEN CENTRE BUSINESS IN THE UK

WGC continued to generate like-for-like growth in its restaurant and cafes

YEAR END: 31 DECEMBER	2017	2016
Revenue	£337m	£325m
EBITDA	**£23m**	**£29m**
Capital expenditure	£27m	£32m

148 SITES[1]

[1] AS AT 31 DECEMBER 2017

OUR PORTFOLIO – WYEVALE GARDEN CENTRES

BUSINESS DESCRIPTION

Wyevale Garden Centres ('WGC') is the largest plant- and garden-focused retailer in the UK, with more than 140 sites across England and Wales. The business has three sources of income: the sale of gardening and associated retail products; on-site food and beverage outlets; and lease income from concession space let to third-party retailers.

INVESTMENT CRITERIA

Gardening is a key part of British culture: almost half of all adults participate in gardening, rising to nearly two-thirds of those aged 45 and over. More than eight out of 10 UK households have a garden.

When Terra Firma acquired WGC in 2012, the business had been both capital-constrained and underinvested. As a result, it had been unable to take full advantage of growth opportunities in its existing portfolio or consolidation opportunities.

At acquisition, the business had a portfolio of 129 garden centres, of which 70 were freehold. The sites operated under various brand names with a large variability in sales density, controllable costs and profitability. The business's estate is difficult to replicate under UK planning restrictions and has long-term potential for alternative use.

CREATING VALUE

TRANSFORMING STRATEGY

A business plan was developed to establish a national brand, consolidate the sector, weather-proof the business and realise the alternative use value of its large freehold estate.

Terra Firma carried out a detailed site-by-site analysis which highlighted the opportunity to free up underutilised space to develop food offerings and concession space. This strategy aimed to reduce the natural seasonality from the core horticultural part of the business by providing customers with more reasons to shop at WGC sites. The business also undertook a full product range review and changed its supply base to one supported by a central supply chain. However, poor implementation, combined with challenging weather conditions in 2015, had a negative impact on the business's performance.

In 2016, WGC implemented a new business plan comprising seven strategic pillars to fix core systems, processes and supply chain assets and build a solid platform for growth.

STRENGTHENING MANAGEMENT

Since acquisition, WGC's management team has been significantly strengthened to match the development of the business. Following the acquisition in 2012, a team was appointed to lead the business through the first phase of its transformation. In 2016, a new senior leadership with extensive retail and private equity experience was formed to drive the next phase of transition. This team includes a new CEO, CFO, Trading Director, Supply Chain Director and Retail Director.

DEVELOPING THROUGH CAPITAL EXPENDITURE

As part of a targeted store investment programme that began in 2013, the business has refurbished a large number of its garden centres and added over 200 new concessions, as well as creating new café and coffee shop offerings.

WGC has sought to benefit from its scale by moving to a fully centralised integrated supply chain.

BUILDING THROUGH MERGERS AND ACQUISITIONS

At the time of acquisition, the business had a portfolio of 129 garden centres. Under Terra Firma's ownership, the business has grown to 148 sites, which is now more than four times as many as the next largest operator.

LOWERING THE COST OF CAPITAL TO CREATE EXTRA UPSIDE

In recent years, WGC has taken advantage of the strong demand for high quality assets by completing a number of freehold site sale and leasebacks. The proceeds of these transactions were used to pay down debt, invest in the core retail estate and make acquisitions.

During 2017, the business successfully refinanced its existing bank debt, replacing it with £140 million of new facilities which provided it with greater flexibility.

CURRENT FINANCIALS

In 2017, WGC continued its transition programme, against the backdrop of a challenging retail environment. Revenue for 2017 was £337 million, £12 million higher than in 2016, due to growth from food and beverage sales and improved product availability. However, the business experienced, as did many UK retailers, difficult trading conditions during the year, lower consumer confidence, and weaker Christmas trading than expected.

EBITDA in 2017 was £23 million, £6 million lower than in 2016, due to an increase in operating costs. WGC continues to invest in its platform, with £27 million of capital expenditure in 2017.

CURRENT DEVELOPMENT PLAN

Under the new management team's leadership, the business is focused on improvements to its retail operations. This has involved investing in a number of core systems and processes essential to transforming the business into a professional retailer. The new team has also begun to extract the benefits of the central distribution centre by renegotiating its suppliers' agreements, which is leading to better stock procurement and management.

Roger Mclaughlan

Anthony Jones

MANAGEMENT

Roger Mclaughlan

Chief Executive Officer

Roger joined the Group as CEO in March 2016, bringing over 25 years' experience in the retail industry. Prior to joining the Group, Roger was the UK Managing Director of Toys "R" Us between 2012 and 2015 where he led the retailer through a major turnaround.

Previously, Roger has held various roles across a number of national corporations, including serving as the Managing Director at Asda Living where he grew the non-food standalone business between 2008 and 2011. He also served as the Managing Director at Holmes Place between 2006 and 2008 and has held executive roles at Woolworths South Africa, Marks & Spencer and Stylo Group.

Anthony Jones

Chief Financial Officer

Anthony was appointed CFO in 2016 and has over 20 years of relevant experience within a range of retail and consumer environments. Before joining the Group, he was Executive Vice President and CFO of Waterford-Wedgwood-Royal Doulton ('WWRD'), a portfolio of iconic luxury home and lifestyle brands. During eight years at WWRD, Anthony played a pivotal role in the private equity backed transformation of the business into a successful and highly profitable company culminating in its sale to Fiskars Corporation in 2015. Prior to this, Anthony was Group CFO at Thorn, a previous Terra Firma portfolio company.

WYEVALE GARDEN CENTRES

GROWING TOGETHER

WGC and its colleagues play a central role in their local communities. Over a number of years, the business has established a comprehensive corporate responsibility programme 'Growing Together'.

A key part of the strategy is the work that the business and its team have done to support their chosen charity partners. In 2017, WGC celebrated reaching another fundraising milestone, having raised more than £1.7 million for Marie Curie since the partnership began in 2014. That is a fantastic £1 million more than the original target.

WGC team members undertook numerous personal challenges in their bid to raise money. In July 2017, 36 colleagues from the Customer Support Centre took on the Yorkshire Three Peaks Challenge. Tackling 26 miles of rugged terrain over 12 hours, the team raised nearly £20,000 for Marie Curie.

Centres in Sussex and Kent, meanwhile, raised more than £10,000 through holding family fun days over the May Bank Holiday weekend for colleagues and customers.

As part of its ongoing commitment, WGC has also supported Marie Curie's Great Daffodil Appeal and Blooming Great Tea Party national campaigns, by donating a percentage of sales from key products.

WGC's other charity partner is the NSPCC, which the business continues to support through its 'Boxes of Care' initiative. 700 sunflower growing kits were donated to 36 individual NSPCC service centres to be used in children's therapy sessions – the third year in a row that WGC has helped the NSPCC promote the use of gardening as therapy.

03

Business and Financial Review

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LETTER FROM ANDREW GÉCZY
CHIEF EXECUTIVE OFFICER

August 2018

Dear Stakeholder,

As I look back on 2017, my first full year at Terra Firma, much has been accomplished.

I had the opportunity to become part of the management team of a firm that is trying to do something truly unique in the market. Guy, Justin and I bring complementary skills to the Managing Partnership. The last year has seen that partnership develop and mature and my role of managing the firm day-to-day and its interactions with investors has fitted neatly into this jigsaw. I have been able to bring the process and execution skills I have acquired over a near 30-year career in large banks to bear at Terra Firma.

To that end, a huge amount of work has been completed to create a scalable model that maximises the value of our functional and specialist expertise. Starting from the ground up, we have moved to a process which combines the benefits of accountability and entrepreneurialism, but is also consultative rather than focused around a few star dealmakers.

What this means is that those people with the right skills are brought into a transaction at exactly the time they are needed, under the guidance of a 'deal captain', to ensure that our deals are properly monitored every step of the way. In this way, we have created pools of expertise in which people have built up genuine experience. This has not only allowed us to become more granular in our processes, something in which we have always excelled, but also does away with the notion that only star dealmakers can survive and thrive in private equity.

LETTER FROM ANDREW GÉCZY CHIEF EXECUTIVE OFFICER

This structure is not only more efficient, but it also better reflects the partnership model at the top of the organisation. As Guy and Justin have already said in their letters and I will echo here, Terra Firma is now run by a group of people with a shared vision and values who meet regularly to discuss and address all the material issues of the firm. This is something that we know investors wanted and we have actively sought to reorganise the firm to create more alignment of interests between us.

That partnership has also extended beyond just the team at the top. Earlier in 2018, we welcomed two new partners to join us – Vivek and Andrew – who both bring first class operational skills to the partnership. This is something we will continue to build on as the firm moves forward.

But as well as the organisation now reflecting our greater focus on operational skills, we have also built on our history of transparency and rigorous debate through a more formal governance process around how we do our deals. Whilst we have always encouraged challenge and provided opportunity to test our thinking, I have led the formalisation of this process in a series of regular team meetings whereby anyone, from the most senior to the most junior, can ask questions and in that way refine our thinking around the deals that we are considering. This means that by the time an investment proposal arrives for General Partner consideration, it may have been presented at four different stages and all of our people will ultimately have had the opportunity to comment on and question the investment rationale.

Our investment process allows us to provide robust challenge at every step of the way. In order to fully understand how impactful this process has become, we may review hundreds of deals a year at our weekly deal origination meetings, but these will have been whittled down to approximately ten investment proposals over the year by the time they reach the GP Board for final approval.

We have embedded into our systems a firm culture of openness, interaction, transparency and a collegiate environment where we are all working towards a shared goal

LETTER FROM ANDREW GÉCZY CHIEF EXECUTIVE OFFICER

We apply the same rigour to the management of our portfolio businesses, where our clear systems also enable regular and robust challenge. Our investment reviews and portfolio strategy reviews, coupled with our regular performance updates, are designed to enhance the rapid and transparent communication of information, within a governance framework created to enable continuous feedback and improvement.

Taken in the round, what we have embedded into our systems is a firm culture of openness, interaction, transparency and a collegiate environment where we are all working towards a shared goal. Our values are clearly stated – creativity, tenacity, challenge, transparency, teamwork and efficiency – and our governance model now fully reflects what we are trying to achieve.

We know from our more than 20-year history that other private equity firms tend not to do the types of deal that we do, nor do they think about operational change in the same way that we do. We remain focused on orphaned, undermanaged and misunderstood businesses. With our refined governance model, we believe that few firms will be able to rival Terra Firma in its commitment to creating better businesses and we look forward to demonstrating that commitment over the coming years.

With best wishes,

Andrew Géczy
Chief Executive Officer

A letter from Guy Hands, Chairman & Chief Investment Officer, can be found at the front of this Annual Review.

A letter from Justin King, Vice Chairman & Head of Portfolio Businesses, can be found in Section 2 – "Our Portfolio".

OUR BUSINESS

OUR STRUCTURE

Terra Firma's funds are typically Guernsey Limited Partnerships. Our active funds are Terra Firma Capital Partners III ('TFCP III'), which is a transformational private equity buyout fund, Terra Firma Special Opportunities Fund I ('TFSOFI') and Fund II ('TFSOFII') which are specialist UK residential real estate funds that own Annington, and Terra Firma Support Capital, which provides tailored equity, hybrid and debt capital solutions to businesses to help them in their transformation.

Terra Firma's investors invest as Limited Partners within these funds, with the day-to-day affairs of each partnership managed by its General Partner, a Guernsey-based company. The General Partners make all investment decisions on behalf of the relevant funds.

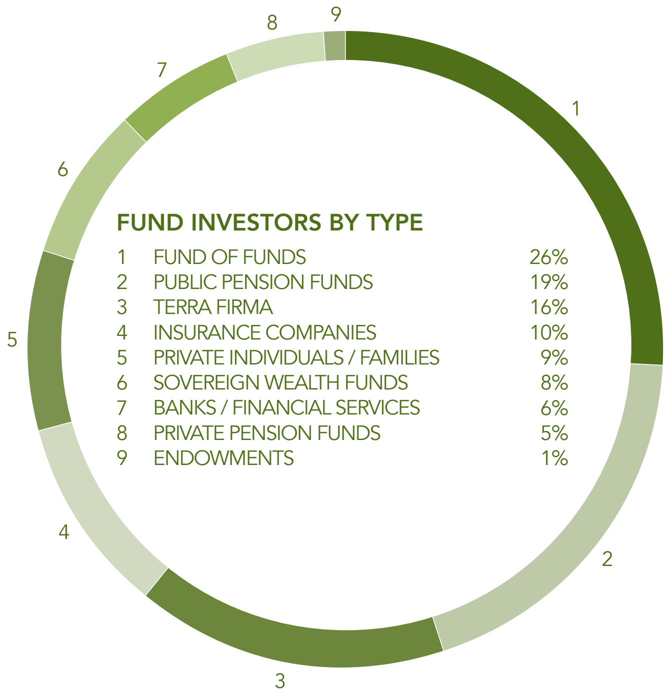
Terra Firma Capital Partners Ltd ('TFCPL') in the UK, with support from Terra Firma Capital Management Ltd ('TFCML') in Guernsey and a representative office in China, are investment advisers to the General Partners, including sourcing and advising on investment opportunities and realisation strategies.

OUR INVESTORS

Terra Firma invests on behalf of a wide range of organisations including pension funds, investment funds, sovereign wealth funds, endowments and family offices. A significant proportion of our investors are pension funds, investing on behalf of today's pensioners and the pensioners of the future. Our investors are based all around the world.

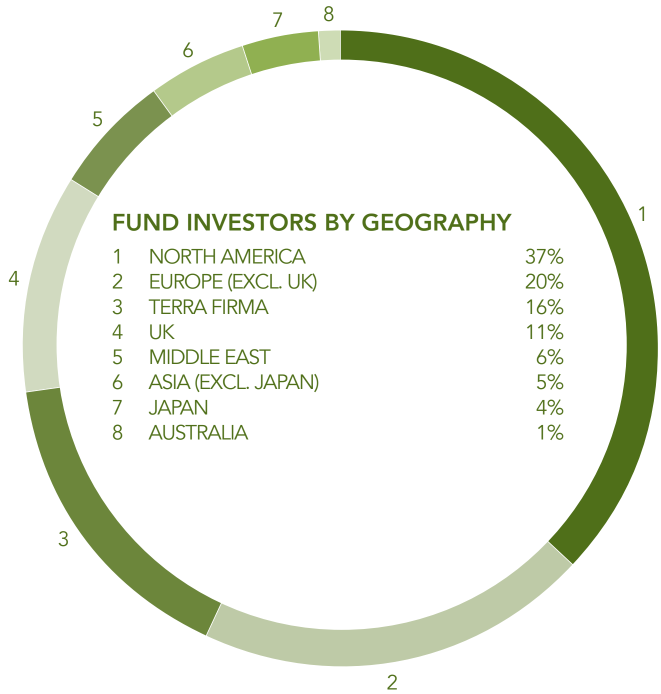
BUSINESS AND FINANCIAL REVIEW

Terra Firma invests on behalf of a wide range of organisations



FUND INVESTORS BY TYPE

1	FUND OF FUNDS	26%
2	PUBLIC PENSION FUNDS	19%
3	TERRA FIRMA	16%
4	INSURANCE COMPANIES	10%
5	PRIVATE INDIVIDUALS / FAMILIES	9%
6	SOVEREIGN WEALTH FUNDS	8%
7	BANKS / FINANCIAL SERVICES	6%
8	PRIVATE PENSION FUNDS	5%
9	ENDOWMENTS	1%



FUND INVESTORS BY GEOGRAPHY

1	NORTH AMERICA	37%
2	EUROPE (EXCL. UK)	20%
3	TERRA FIRMA	16%
4	UK	11%
5	MIDDLE EAST	6%
6	ASIA (EXCL. JAPAN)	5%
7	JAPAN	4%
8	AUSTRALIA	1%

OUR ORGANISATION

AN INSTITUTIONALISED ALTERNATIVE INVESTMENT PLATFORM

We have a diverse team of about 80 colleagues, drawn from many different nationalities and backgrounds. These professionals are based in Terra Firma's offices in London, Guernsey and Beijing. What we all have in common is a fascination for businesses and a drive to make them the best that they can be.

Our organisational model is designed to ensure that the best mix of skills and experience from the Terra Firma team are brought to each investment at the right time. Our teams are flexible, driven by specialists at each stage, from initial sourcing through to investment acquisition, operational transformation, monitoring and eventual exit, allowing us to draw on our multi-disciplinary expertise throughout the investment lifecycle to create additional value.

Our organisation's size, diversity and skill base reflect the depth of investment analysis and processes we employ and the extent of our involvement in the strategy and operations of our investments as we work together with management to create value and build better businesses.

Our senior leadership team, which combines the investment, strategic, operational and financial expertise of Guy Hands, Justin King and Andrew Géczy as Managing Partners, drives Terra Firma's investment process and utilises the diversity and creativity of our wider organisation.

Our investment teams and transaction specialists enable us to source opportunities, and identify possible strategies, acquisitions, refinancing and exit opportunities, while our Support Capital team brings credit structuring expertise. Many of our colleagues have extensive investment banking and consultancy experience, this is combined with talent that we develop internally through our Graduate Analyst Programme.

Our portfolio business operations colleagues drive the identification of new strategies and initiatives during the evaluation of a potential new investment and then lead post-acquisition improvement programmes for strategic and operational change. Where necessary, we provide secondees or fulfil the role of interim executive management within our private equity portfolio businesses. Our professionals have deep leadership, managerial and financial experience in running businesses and divisions of large companies.

Our Legal, Tax and Finance teams enable us to handle complex transactions. These skills reside in a group of lawyers, tax and financial accountants who have extensive experience in handling complicated situations. Having these professionals within Terra Firma enables the firm to execute highly intricate deals, and assess and resolve regulatory, contractual, tax, legal and financial risks efficiently. These teams are supported by our HR, IT and Facilities Management experts to enable consistent high performance for our organisation as a whole.

Our Investor Relations team manages our relationships with current and potential investors in Terra Firma's funds.

BUSINESS AND FINANCIAL REVIEW

EXTERNAL EXPERTISE

Alongside our in-house specialists, Terra Firma works with a range of senior advisers with expertise in particular industries, functions and disciplines. These individuals provide independent views and alternative perspectives on portfolio business strategy and performance, as well as insights into specific sectors and into how changing political landscapes might affect potential opportunities. Many of our external advisers have a long-term relationship with our firm, and a number have held senior positions within Terra Firma itself or within our portfolio businesses.

Terra Firma also works with a range of external professional firms, including strategic advisers, lawyers and accountants, investment banks, tax specialists, real estate consultants, environmental consultants, and other specialists.

PORTFOLIO COLLABORATION

We adopt a robust governance framework for each private equity acquisition we make, and Terra Firma professionals then work closely with portfolio business colleagues to implement our transformational strategies, to assist in operational and investment initiatives, and to monitor performance. This close working relationship enables us to drive success in our portfolio businesses and deliver value for our stakeholders.

Terra Firma colleagues can be seconded to, or based in, our portfolio businesses to support them in implementing change. Our involvement is most intense immediately after a business is acquired, when it is vital to make sure that momentum is created and management and staff are motivated and incentivised to work with us to maximise the value of the business. We remain very closely involved with the strategic decisions our businesses make throughout our ownership.

BUSINESS AND FINANCIAL REVIEW

SENIOR LEADERSHIP TEAM

Guy Hands

Chairman & Chief Investment Officer

Responsible for investment decisions

Guy has been a creative and influential investor for over 30 years. He is considered one of the pioneers of securitisation, having completed one of the first CBOs and the first AAA securitisation of a retail business with Saks Fifth Avenue while at Goldman Sachs. Guy also led numerous innovative securitisations in the UK pub, rail and housing sectors at Terra Firma's predecessor, the Principal Finance Group ('PFG').

Guy founded PFG at Nomura International plc in 1994 before spinning out the independent private equity firm Terra Firma in 2002. Over the past 23 years, he has overseen the investment of €17 billion of equity in 33 businesses with an aggregate value of €47 billion.

Guy established Terra Firma Capital Partners Limited's commitment to donate 10% of annual pre-tax profits to local initiatives in London, while Terra Firma Capital Management Limited supports numerous charities in Guernsey. He is also President of 'Access for Excellence', which promotes access to higher education.

Guy sits on the board of each Terra Firma fund's General Partner, which is responsible for signing off on all fund decision-making. He also provides creative insights into potential acquisitions and develops business strategies for the portfolio businesses together with Justin King, Vice Chairman & Head of Portfolio Businesses, and exit strategies with Andrew Géczy, CEO.

Justin King

Vice Chairman & Head of Portfolio Businesses

Responsible for portfolio business operations

Justin is an operational leader with over 30 years of experience at leading customer-facing businesses, including Sainsbury's, Marks & Spencer, Asda, Häagen-Dazs, PepsiCo and Mars. During his 10 years as CEO of FTSE 100 retailer, J Sainsbury plc, he led the turnaround of the iconic UK brand, trebling profits and delivering a total shareholder return of 85%.

Justin is well known for his industry-leading views on responsible business. At Sainsbury's, he developed the retailer's long-standing relationship with Comic Relief, with the business raising £1 in every £10 donated to the UK charity during his tenure. He was also responsible for Sainsbury's pioneering sponsorship of the Paralympic Games and was a Director of LOCOG, the organising committee for the 2012 London Olympics.

In 2011, Justin was awarded CBE (Commander of the British Empire) for his services to the retail industry. In 2013, he was named Most Admired Business Leader by Management Today.

Justin oversees the firm's portfolio businesses and has full-time responsibility for ensuring that they have the right strategy and management to generate maximum value for investors.

BUSINESS AND FINANCIAL REVIEW

SENIOR LEADERSHIP TEAM

Andrew Géczy
Chief Executive Officer

Responsible for managing Terra Firma's organisation day to day

Andrew is a business leader with over 25 years of experience in the financial services markets. He has led financings and restructurings, managed both equity and debt portfolios and led diverse, international teams in major global financial institutions including Citigroup, Lloyds Banking Group, and Australia and New Zealand Banking Group ('ANZ').

Previously, Andrew was a Group Executive Committee member and CEO of International and Institutional Banking at ANZ. Prior to this, he was Group Executive Director and CEO of Wholesale Banking & Markets at Lloyds Banking Group. During 14 years at Citigroup, he held a variety of senior positions, including Global Head of Structured Corporate Finance. Andrew spent his early career at Price Waterhouse and KPMG.

Andrew is a founder and Chairman of the International Medical Corps – UK, which delivers lifesaving health care in emergencies for people affected by disaster or conflict.

Andrew manages Terra Firma's organisation day to day, and is on the board of Terra Firma Capital Partners Limited, our UK advisory entity. He is responsible for driving the firm's disciplined execution of acquiring, financing, restructuring and ultimately selling businesses to ensure it delivers maximum returns to investors.

BUSINESS AND FINANCIAL REVIEW

PARTNERS AND MANAGING DIRECTORS

Vivek Ahuja

Partner & Group Chief Financial Officer

Vivek has three decades of experience in global finance and over 20 years in senior CFO roles. He has led successful business and functional transformations and has worked across Asia, the Middle East and Europe with major global financial institutions.

Vivek is responsible for the overall financial management of the firm at a Group level and of its portfolio businesses, also supporting the firm on the financial aspects of acquiring and selling businesses to ensure the delivery of maximum returns to investors. He sits on the board of Terra Firma Capital Partners Limited, the firm's UK advisory entity.

Prior to joining Terra Firma in January 2018, Vivek spent 17 years with Standard Chartered Bank where he was Deputy Group CFO, prior to which he was Group CFO – Wholesale Banking and Regional CFO – Middle East and South Asia.

Vivek is a Fellow of the Institute of Chartered Accountants in England & Wales and was a Council member from 2013-2015 and a member of the Financial Services Faculty Board. He is a graduate of Mumbai University in India.

Vivek is married with two daughters and enjoys travelling, running and sport.

Andrew Miller

Partner

Andrew joined Terra Firma in September 2016 to focus on the operational improvement of the firm's portfolio businesses. He leads our operational involvement in Welcome Hotels and previously acted as a director of CPC and as Chairman of AWAS.

Andrew has extensive experience of successful digital transformation in consumer-facing industries, most recently working with the Founders Forum supporting multinational business on digital transformation.

As Chief Executive of the Guardian Media Group from 2010 to 2015, Andrew reshaped the Guardian's portfolio of businesses to support its transformation into one of the world's leading digital organisations. From 2002 to 2014, he carried out a similar transformation as Chief Financial Officer and Non-Executive Director of Trader Media Group. Andrew is currently a Non-Executive Director of the AA plc.

Andrew has previously held senior finance roles at PepsiCo Europe, Procter & Gamble, Bass and a start-up company.

Andrew is a member of the Institute of Chartered Accountants of Scotland, qualifying in 1991, training with Price Waterhouse after completing his law degree at Edinburgh University. He is on the Advisory Board for Sarah Brown's Theirworld charity, and a Governor at the Benjamin Franklin House Museum.

Andrew is married with three children. His interests include motorsport, skiing and the arts.

BUSINESS AND FINANCIAL REVIEW

PARTNERS AND MANAGING DIRECTORS

Robin Boehringer

Managing Director

Robin joined Terra Firma in 2009 and has extensive experience in operational real estate and infrastructure. Robin has worked on a number of Terra Firma's portfolio businesses including AWAS, Deutsche Annington, Tank & Rast and Welcome Hotels.

Robin was involved in the refinancing, IPO and final exit of Deutsche Annington, the refinancing of Tank & Rast and the sale of AWAS's SkyFin portfolio. In 2015, he led the exit of Terra Firma's award-winning investment in Tank & Rast. In 2017, Robin led the exit of AWAS.

Prior to joining Terra Firma, Robin worked in M&A at Credit Suisse.

Robin has a Master's degree in Financial Economics from Oxford University and a Bachelor's degree in Economics from the University of St. Gallen.

Robin speaks German and English. He is married with two children and is a keen football player.

Mark Elliott

Managing Director

Mark joined Terra Firma in January 2018 and is responsible for overseeing and expanding the Support Capital division.

Mark has 20 years' experience in leadership roles across several international financial organisations. Throughout his career, he has specialised in the origination, structuring and execution of complex financial transactions and risk management solutions for companies and institutions.

He joined from Lloyds Banking Group where, most recently, he was Managing Director of Corporate Solutions, Commercial Banking Markets Division. Whilst at Lloyds, he was Managing Director of units including: Real Estate Solutions & Group Risk Advisory, Capital Markets, and Real Estate & Utilities Solutions, Financial Markets. Prior to Lloyds, Mark spent five years at J.P. Morgan, most notably as Vice President of FX, Credit & Rates and Global Relationship Manager, Investor Services. Prior to 1998, he was an Operations Specialist at Deutsche Bank and a Captain in the British Army.

He graduated from University College, Durham University with a BSc Honours degree in Engineering. Mark also has an MSc in Finance (Distinction) from London Business School.

Mark is married with three children. He enjoys fishing, shooting and sailing.

BUSINESS AND FINANCIAL REVIEW

PARTNERS AND MANAGING DIRECTORS

David Hobbs
Managing Director

David joined Terra Firma in 2016 with more than three decades of experience covering strategy, hands-on operations, business transformation and consulting roles. Prior to Terra Firma, he spent 13 years at Tesco, most recently as Group Strategy and Business Planning Director on the Group Executive Committee.

During his time with Tesco, David was COO for its Chinese and Malaysian businesses, on the UK Board as Business Planning Director, and held various internal consulting roles in the UK and internationally.

David began his career as a consultant at Capgemini where he worked across a broad range of industries in Europe and Southern Africa, as well as leading the analysis team.

David holds an MBA from the Booth School of Business at the University of Chicago and a BA from the University of Sheffield.

David enjoys watching the Saracens rugby team and spending time with his family. He is married with two children.

Paul Spillane
Managing Director & Head of Investor Relations

Paul leads the firm's global Investor Relations team. He also manages relationships with North and South American investors.

With over 30 years' experience in the international financial services industry, Paul plays a crucial role in managing relationships with Terra Firma's new and existing investors. Paul is Chair of the Advisory Board for TFCP III. Paul's expertise and relationship network are an essential part of Terra Firma's strategy of building closer and stronger relationships with its investors.

Paul joined Terra Firma in 2010. Prior to this, he spent five years as CEO and President of Soleil Securities. He began his career at Goldman Sachs, where he spent 12 years working in the international fixed income and currencies group, managing global interest rate sales.

In 1995, Paul joined Deutsche Bank, where he spent eight years. He started out as Head of Fixed Income Sales in the Americas and a member of the North American management committee. He later moved to the Equities division where he was Head of International Sales in the Americas and a member of the Equities division executive management team. Paul was a founding member of the Deutsche Bank Relationship Management team and managed the group globally.

Paul received a BA from Colby College and an MBA, with Honors, from Columbia University. Prior to studying at Columbia, Paul spent three years as a professional baseball player in the Oakland A's organisation.

BUSINESS AND FINANCIAL REVIEW

PARTNERS AND MANAGING DIRECTORS

Dominic Spiri

Chief Financial Officer

Dominic is the Chief Financial Officer of Terra Firma As CFO, Dominic plays a vital role in respect of Terra Firma's financial risk management and reporting, and also heads the tax and structuring function. Dominic joined Terra Firma's Finance team in 2005 as a tax and structuring specialist, and he has worked on a number of Terra Firma's transactions including Infinis, Phoenix Natural Gas, EverPower, AWAS and RTR, and previously served on the boards of Annington and Four Seasons Health Care.

Before joining Terra Firma, Dominic worked in Deloitte's Private Equity Transaction Services Group.

Dominic graduated from Fitzwilliam College, Cambridge, and has a BA Honours degree and a Master of Engineering degree in Chemical Engineering. He is a Chartered Accountant (ICAEW), Chartered Tax Adviser (CIOT) and sits on the BVCA Tax Committee. Dominic speaks Italian in addition to his native language, English.

BUSINESS AND FINANCIAL REVIEW

SENIOR ADVISERS

Lord Birt

Lord Birt became an adviser to Terra Firma in 2005. He has been involved in a number of portfolio companies, serving as Chairman of WRG, Infinis and Maltby Capital, the holding company of EMI.

Prior to joining Terra Firma, Lord Birt was an adviser to McKinsey & Company and to Capgemini. He is currently Vice-Chairman of Eutelsat and previously served as Chairman of PayPal Europe. He was Director-General of the BBC from 1992–2000 and is a former Strategy Adviser to the Prime Minister (Tony Blair).

Lord Birt is a member of the House of Lords, a position he has held since 2000.

Lord Birt has a degree in Engineering from Oxford University.

Peter Dixon

Peter has worked with Terra Firma in a number of capacities since 2005. He serves as Chairman of EverPower, Senior Independent Director of CPC and a Non-Executive Director of Four Seasons Health Care. Previously, he was Chairman of Infinis.

Peter has worked in the utility infrastructure sector for more than 40 years. Until 2015, Peter was Group CEO of Phoenix Energy Holdings, the Northern Irish gas utility previously owned by Terra Firma, a position he held for 15 years. He was also a Director of East Surrey Holdings plc and Sutton & East Surrey Water Ltd (former Terra Firma businesses).

Peter is currently Chairman of Lionrai Investments and Phoenix Energy Holdings on behalf of Hastings Infrastructure Fund UK. He is a senior adviser to the Utility Trust of Australia and Hastings Infrastructure UK.

Peter was a Harbour Commissioner at Belfast Harbour Commissioners between 2008 and 2016 and a Director of South East Water Ltd.

Peter is a Fellow of the Institute of Energy, a Companion of the Institute of Gas Engineers, an Ambassador of Start 360 and Patron of the Energy & Utility Skills Council. He is also a former adviser to the board of the Winston Churchill Memorial Trust.

BUSINESS AND FINANCIAL REVIEW

SENIOR ADVISERS

Fraser Duncan

Fraser is one of the longest standing advisers to Terra Firma. He currently serves as a Non-Executive Director of Annington Limited and was previously a member of the Investment Advisory Committee and Funds' General Partner Boards and had line responsibility for the portfolio business team. In this role, Fraser had Board seats on many of the portfolio companies, providing an overview of operational issues, performance and governance.

Prior to joining Terra Firma, Fraser was Portfolio Finance Director for Nomura's Principal Finance Group, having joined in 1997. He subsequently became Chief Operating Officer, up to the point of the group's spin-out from Nomura to form Terra Firma. Fraser's early career included time at Unilever, five years in strategy consulting with Cameron Consultants, and a number of senior roles within the BET Group, which was subsequently acquired by Rentokil to become Rentokil Initial.

Fraser is Chairman of a video production company and co-founded the branded office food delivery business, Clockjack, which he is actively involved in developing. He is a Chartered Management Accountant and has a degree in Economics and Statistics from York University.

Rupert Gavin

Rupert has worked with Terra Firma since 2006. He was appointed to the board of Wyevale Garden Centres as a Non-Executive Director in 2014 and was previously CEO of Odeon & UCI Cinemas during its ownership by Terra Firma.

Prior to joining Odeon & UCI, Rupert served as the Chief Executive of BBC Worldwide, and held senior positions at BT and Dixons.

He is currently Chairman of Historic Royal Palaces and Chairman of the Honours Committee for the Media and the Arts. He is also Non-Executive Director of Countrywide plc; Chairman of Incidental Colman Ltd, a West End theatre producing company; and co-owner of l'Escargot Restaurant in Soho.

Rupert received an exhibition in Economics from Magdalene College, Cambridge.

BUSINESS AND FINANCIAL REVIEW

SENIOR ADVISERS

Stephen Julius

Stephen has been an adviser to Terra Firma since 2014. He currently serves as a Non-Executive Director of Wyevale Garden Centres and brighterkind, and was previously a Non-Executive Director of Odeon & UCI.

Through his privately owned investment firm, Stellican Ltd, Stephen was previously Chairman and controlling shareholder of US-based Chris-Craft boats, Chairman and controlling shareholder of Indian Motorcycle in the USA, Riva boats in Italy, and was the first foreigner to acquire an Italian Premier League football club, Vicenza Calcio.

Stephen began his career at The Boston Consulting Group. He has a degree in Classics from Magdalen College, Oxford, and an MBA from the Harvard Business School.

Ingmar Wilhelm

Ingmar joined Terra Firma in 2014 as a Managing Director to advise on energy and infrastructure-related investments. He currently serves as Chairman and CEO of RTR and served on the board of EverPower.

Prior to joining Terra Firma, Ingmar worked at Enel Green Power, where he was Executive Vice President and in charge of global business development. Ingmar joined the Enel Group in 2003, where he was responsible for the origination and trading of power in Europe. From 2006 onwards, he managed the company's commercial growth strategy and the entire client base on the free market for power and gas supply in Italy. Prior to his time at Enel, Ingmar worked with E.ON and Électricité de France. He has also served on the boards of directors of several international joint ventures and associations, in particular at the European Energy Exchange, Powernext (the French Power Exchange) and the European Photovoltaic Industry Association.

Ingmar holds an MSc in Electrical Engineering from the University of Aachen.

BUSINESS AND FINANCIAL REVIEW

SENIOR ADVISERS

Baroness Liddell

Baroness Liddell has served as independent Chairman of Annington Limited since 2017. She was a Member of Parliament from 1994 to 2005, during which time she held a number of influential positions, including Secretary of State for Scotland, Minister of State for Transport, Energy Minister and Economic Secretary to the Treasury. She was also British High Commissioner to Australia from 2005 to 2009 and was made a life peer in 2010.

Previously, Baroness Liddell held leading roles in the Scottish Trades Union Congress. She was also a BBC economics correspondent, Executive Director of Scottish Daily Record and Sunday Mail Ltd and Chief Executive of Business Ventures.

Baroness Liddell holds a degree in Economics from the University of Strathclyde.

Jos Short

Jos has served as independent director and Deputy Chairman of Annington Limited since 2017. Previously, Jos was CEO of Pramerica's real estate private equity business and head of Lazard Brothers' European real estate M&A unit. Prior to this, he held senior roles at Barings and S.G. Warburg. He is also the Chairman and founding partner of INTERNOS Global Investors, a pan-European investment management firm. He has also served as a Non-Executive Director at Great Portland Estates plc.

Jos is a member of The Chartered Institute of Bankers and has a degree in Banking and Finance from Loughborough University of Technology.

Steve Webber

Steve has been a Non-Executive Director of Annington since 2012. He joined Nomura's Principal Finance Group, the forerunner to Terra Firma, in 1996 and, most recently, was a Managing Director at the firm until 2016.

In his 20 years at the firm, Steve focused on the leisure, leasing and transportation sectors, working on many of Terra Firma's investments including the pub deals and Tank & Rast. More recently, Steve served on the boards of AWAS, CPC and Four Seasons Health Care.

Steve holds an MSc in International Securities, Investment and Banking from the University of Reading.

BUSINESS AND FINANCIAL REVIEW

EMPLOYEE TRAINING AND DEVELOPMENT

Our training and development programme is designed to develop our colleagues so that they have the skills they need to help our business achieve its strategic goals and to help them progress their careers.

Throughout our business, we encourage our people to take responsibility for their own personal and professional development. That development can take many forms such as on-the-job coaching, mentoring and job enrichment as well as formal training programmes, courses and professional qualifications. Terra Firma has a policy of supporting employees in pursuing qualifications that will help their work and career development.

The nature of the professional training within Terra Firma is broad, depends on the development needs of the individual and can include both technical and soft skills-based training.

Investment professionals are encouraged to obtain the CFA qualification. The CFA® Program sets the global standard for investment knowledge, standards and ethics. The CFA credential enables the holder to prove that they have mastered a broad range of investment topics and are committed to the highest ethical standards in the profession. In 2017, 12 of our colleagues passed CFA exams.

Terra Firma also offers internship opportunities to undergraduate and postgraduate students, allowing individuals to gain an insight into life at work.

OUR GRADUATE ANALYST TRAINING PROGRAMME

We aim to develop not only successful businesses, but also successful employees. This philosophy pushed us to become one of the first private equity firms with an established graduate programme.

In 2009, Terra Firma hired six entrants onto its inaugural two-year Graduate Analyst Training Programme, and this has since been extended to a three-year scheme.

The rotational programme is designed to give graduates a comprehensive and challenging grounding within the business and a unique perspective on the private equity industry. As a central part of the scheme, the analysts learn about all aspects of Terra Firma and they complete rotations with Investor Relations, Finance, Legal, Transaction teams and the CIO office.

We welcomed seven new graduates onto our Graduate Analyst Training Programme in 2017. The programme continues to be a great success with graduates, who have developed a broad base of skills on which to build their careers. Of our current colleagues, 25 joined us via the Analyst programme.

BUSINESS AND FINANCIAL REVIEW

Amerprit Kingra, a 2016 entrant says, "This opportunity provides a constantly steepening learning curve especially as you get deeper into your role. We have extensive interaction with senior team members and get an insight into the decision-making process. We are encouraged to constructively debate and challenge ideas, which is intellectually stimulating and valued by the wider team. No two days are ever the same and you always leave each day having learnt something new."

Daniel Bulkin, who joined in 2017, reports: "All the analysts are treated with a lot of respect, everyone is taught and encouraged, and people take time to sit down with you. It's just an amazing opportunity to learn."

Balint Temesi, a 2015 entrant says: "It's a place where you are empowered, where you can really become your best self. Everyone supports you and you can see that people all around you are striving to get to the same place. People are very ambitious, they are very good at what they do, and they do it with a smile, so overall, I just think it's a great place to learn and develop."

Graduates spend a year working within one or two portfolio businesses, which is key to understanding how our businesses operate and appreciating the challenges they face.

Terra Firma graduates come from a diverse array of backgrounds, bringing their fresh perspectives to the business. Participants have studied subjects as wide-ranging as Chemistry, History and International Relations and speak a variety of languages.

"Terra Firma is a place where you are empowered, where you can really become your best self"

RESPONSIBLE INVESTMENT

We believe that better businesses build better societies. Economic, social and environmental factors are all important elements in building better and more sustainable businesses, which is at the heart of what we do. We aim to be a positive part of the communities we operate in, and to contribute to creating an environment where our businesses and people can succeed in the long term. We believe that better businesses create more sustainable employment and drive sustainable value creation.

We therefore consider environmental, social and governance ('ESG') factors when acquiring and operating businesses, and we have developed an extensive ESG programme. This is implemented through a range of policies, tools, staff training and reporting channels, and our approach is summarised in our Responsible Investment Policy.

We are committed to enabling the success of our female colleagues as well as women in the wider private equity industry. Over 40% of our staff are women, and our 2016 and 2017 Graduate Analyst Training Programmes had a female intake of 36%. We are also proud to support the not-for-profit organisation Level 20, which aims to inspire women to join and succeed in private equity and deliver greater representation for women at all levels of the industry.

RESPONSIBLE INVESTMENT POLICY

We are committed to creating high quality businesses in order to generate value for our investors and other stakeholders. We adhere to the highest standards of business conduct, acting as a responsible investor, operator, counterparty and employer.

We aim to make a positive contribution to our local community, to encourage diversity in, and the development of, our people and to mitigate the environmental impact of our own operations.

We are proud to have been signatories of the UN-supported Principles for Responsible Investment ('PRI') since 2011, and we publish our annual PRI report via our website. Terra Firma also endorses the ILPA Principles 2.0, the BVCA's Code of Conduct and Invest Europe's Code of Conduct.

INVESTMENT DECISIONS

We have a rigorous investment review process, and we consider all relevant areas including ESG factors as well as financial and commercial factors, and we do not invest where we believe that risks cannot be managed to an appropriate level. We will not invest in businesses that involve the use of exploitative labour practices, such as forced or child labour.

Better businesses build better societies

BUSINESS AND FINANCIAL REVIEW

PORTFOLIO MANAGEMENT

We are an active manager and we work very closely with our businesses to maximise value for our stakeholders. We adopt high quality governance and reporting structures in all of our businesses and require that they have suitable resources, policies and processes in place in order to meet our investment objectives and to operate in accordance with our high standards of conduct. We work with our businesses in managing business risks, including ESG risks, and in developing high standards of transparency and reporting. We encourage our businesses to make a positive contribution to their communities and to mitigate their impact on the environment.

SOCIAL ENGAGEMENT

We promote direct engagement with our neighbouring communities and encourage equally active engagement on the part of our portfolio businesses.

TFCPL is fully committed to supporting its local community of Southwark in Central London and donates 10% of its annual pre-tax profits to charity. This is divided between the Terra Firma Charitable Trust and Impetus – The Private Equity Foundation ('Impetus-PEF'), of which Terra Firma is a founding member.

Impetus-PEF transforms the lives of children and young people living in poverty by ensuring they get the support they need to succeed in education, find and keep jobs, and achieve their potential. TFCPL has made donations totalling more than £1 million to Impetus-PEF.

Since 2010, TFCML has supported a number of local initiatives in Guernsey designed to improve the lives of the residents, with a specific focus on children and health.

Details of the organisations we work with are given on the following pages.

Ananya Jain

LONDON

TERRA FIRMA CHARITABLE TRUST

The Terra Firma Charitable Trust, a non-profit charitable fund formed and funded by TFCPL and its employees, was established in 2002.

Its mission is to make charitable investments which will directly benefit the local community in the London Borough of Southwark, where our London office is located. We principally support programmes that put an emphasis on aiding and educating children and helping the elderly. TFCPL's donations have enabled the Trust to make total commitments of more than £2.5 million to charitable organisations working in and for our local community.

In addition to financial support, TFCPL employees are given the opportunity to contribute their time to these charitable organisations in our local community.

The Terra Firma Charitable Trust is proud to support the following charities and initiatives:

DEBATE MATE

Debate Mate is an educational organisation founded to increase social mobility amongst young people, aged 9-18, from disadvantaged backgrounds – typically those attending challenging inner-city schools.

Debate Mate's Core Programme sets up and runs peer-led debate clubs to help young people realise their true potential by teaching and developing key life skills – speaking and listening, confidence, resilience, teamwork, leadership and critical thinking.

THE PRINCE'S TRUST

The Prince's Trust is a UK charity which gives 11-30 year olds, including the unemployed and those struggling at school, the practical and financial support they need to stabilise their lives. The charity helps young people develop key skills while boosting their confidence and motivation.

ST VINCENT DE PAUL SOCIETY

The St Vincent de Paul Society is an international Christian voluntary organisation dedicated to tackling poverty and disadvantage by supporting people in need in local communities in England and Wales irrespective of ideology, faith, ethnicity, age, sexual orientation or gender. Its 10,000 committed volunteers seek and find those in need and offer them sincere friendship.

They visit them on a regular basis at home, in hospital and while in care, offering friendship and practical support such as food, furniture or financial help where needed.

It also organises trips and events for older and isolated people and provides holidays for children and families. Its volunteers annually carry out around 500,000 recorded visits, amounting to an estimated one million hours of voluntary service in the community.

We aim to make a positive contribution to our local communities

BUSINESS AND FINANCIAL REVIEW

SOUTH LONDON CARES

South London Cares is a community network of older and younger neighbours, who spend time and help one another in a rapidly changing city. Through its Social Clubs and one-to-one Love Your Neighbour programme, neighbours share time, company, conversation, laughter and ultimately, friendship, with the aim of tackling isolation and loneliness across Southwark and Lambeth.

The Terra Firma Charitable Trust supported the charity with a grant to establish brand new Social Clubs in Peckham, including a fortnightly choir which sees over 30 neighbours singing everything from The Beatles to the Spice Girls every other Wednesday evening.

XLP

XLP was founded by Patrick Regan OBE, 20 years ago after a stabbing in a school playground in Lambeth. Today, it works in eight boroughs around the City of London, with the key aim of creating positive futures for young people living in some of the most disadvantaged communities in London.

XLP works with 1,500 young people per day, one-to-one or in small groups, with a focus on those who are excluded or on the verge of exclusion from school or who are involved in or on the edge of gangs or criminality. The Community Bus Project, supported by Terra Firma, travels to 17 inner city estates each week with 70 per cent of regular attendees to the project showing significant improvement in attitudes and behaviours.

CORAM

Coram is a national adoption charity which, through adoption services, supported housing, parents' centres, family support and education, works with vulnerable children, young people and their families, transforming their lives through practical help and support.

Coram South London Adoption works closely with Southwark Council in order to find and prepare amazing families for the children who are still awaiting stable, loving homes.

THE FRIENDS OF JOHN DONNE ACADEMY

The Friends of John Donne Academy is the charitable arm of the John Donne Primary School ('JDPS'), located in Peckham in South-East London in an area of high deprivation.

JDPS is a large, multicultural school with 500 pupils. Recent developments affecting the school have resulted in the need to take an additional 60 children. This led the school to convert its library into an additional classroom.

With Terra Firma's support, the school was able to create a school library using a decommissioned London Bus. JDPS uses the bus during the school day and for developing after-school activities, to provide a space for parents and the community to develop their own literacy skills and offer holiday club activities linked to the library bus.

BUSINESS AND FINANCIAL REVIEW

AUTISTICA

Autistica is the UK's leading autism research charity. Its main focus areas are funding and promoting ground-breaking medical research, improving understanding of autism and advancing new therapies and interventions.

Terra Firma has provided support for Autistica's Inform, Connect and Empower programme which aims to bridge the gap between care and research to radically improve the outcomes of children with autism and their families in Southwark. They help promote access to vital resources through local awareness-raising initiatives, creating opportunities for the community to take part in world-class studies that can change their lives and creating employment opportunities for young autistic people in Southwark.

SCHOOL-HOME SUPPORT

School-Home Support, working with schools, local authorities and other children's settings, provides personalised support to children and families, tackling the underlying barriers to a successful education to improve the life chances of children.

Terra Firma's support allowed School-Home Support to employ a practitioner at Hollydale Primary School in Southwark for four days per week to work with around 200 children and family members each year. The practitioner provides general support and runs coffee mornings, where parents can get support on the issues they face, and a programme of workshops covering issues such as parenting skills, reading with children, bedtime routine and the importance of play.

GUERNSEY

TFCML is fully committed to supporting its local community in Guernsey, with its donations totalling close to £600,000. TFCML supports the following organisations:

AUTISM GUERNSEY

Autism Guernsey is an independent charity set up in 2013 to assist and support people on the autism spectrum in Guernsey. Its aim is to ensure those with autism are able to lead full, positive and inclusive lives and enjoy a reasonable degree of independence. It seeks to share its knowledge and expertise with parents, carers and other professionals in order to support the development of skills and strategies needed to provide the best care and support for people with autism. It has pioneered a number of services, events and clubs for both adults and children.

DYSLEXIA DAY CENTRE

The Dyslexia Day Centre is a Guernsey-based charity organisation offering tuition, assessments, support and advice to anyone affected by dyslexia. Since the Centre's inception in 1987, it has helped over 4,500 children. Its contribution to the community was recognised when it received the Queen's Award in 2011.

HEADWAY GUERNSEY

Headway Guernsey supports over 70 islanders and their families who are living with the long-term effects of a brain injury. The charity provides a wide range of services that bring people together in a supportive and positive environment. Through a series of cognitive modules, physical rehabilitation and social sessions, members can build their confidence, learn new skills and support each other in a confidential setting.

BUSINESS AND FINANCIAL REVIEW

Jolyon Smith

HELP A GUERNSEY CHILD

Help a Guernsey Child was established in 2001 to raise funds for deserving children in the Bailiwick of Guernsey. The charity actively seeks to assist disadvantaged local children, young people and youth organisations, as well as meeting some specific individual needs.

GUERNSEY ALCOHOL ADVISORY SERVICE

Guernsey Alcohol Advisory Service ('GAAS') runs a six-bed Rehabilitation Dry House for Guernsey residents who have lost everything as a direct result of their problematic alcohol use. Many of those affected, and who are assisted by the charity, suffer from mental health issues, which can lead to offending and a range of other social problems along with alcohol dependency. GAAS does not receive any States of Guernsey funding towards the Rehabilitation Dry House, but raises money through the rents that residents pay and from fundraising initiatives.

SAFER

Safer provides support to the victims of domestic abuse on Guernsey and its primary aim is to help to keep victims safe. It provides access to refuges and other emergency accommodation and also runs training programmes for its volunteers to assist them in developing the necessary skills to be able to offer help and advice to victims. In addition to providing emotional support, it provides help in reporting situations to the police, as well as assistance throughout any legal processes.

BUSINESS AND FINANCIAL REVIEW

STEPPING STONES

BUSINESS AND FINANCIAL REVIEW

WORKING WITH, LISTENING TO, AND LEARNING FROM ADULTS WITH LEARNING DISABILITIES

Stepping Stones is a charity based in Southwark, South London which runs activities and courses for adults with learning disabilities.

The charity was established in response to a lack of provision of services in the local area. Today, it runs 10 classes per week from its original base at St Faith's Community Centre, together with offsite community activities that it has developed in partnership with centres in Bermondsey and Peckham. It now delivers over 30 hours of activity for up to 150 people each week.

LEARNING DISABILITIES

The Equality and Human Rights Commission found that people with learning disabilities are among the most disadvantaged groups of people in England. This disadvantage can be seen in comparatively lower life chances, diminished opportunities and deprivation. Over 80 per cent of adults with learning disabilities engage in levels of physical activity below the Department of Health's minimum recommended level. People with learning disabilities are much more likely to be obese than the general population, with an associated increased risk of diabetes and lower life expectancy, and are also much more likely to experience social isolation.

TUTOR CLARE RIORDAN

"I was struck by a comment from one of our students when he was asked to review the course. I was not surprised to hear that he enjoyed his Stepping Stones class as his attendance record was high.

What struck me, however, was his comment about 'feeling safe' when he attends classes at Stepping Stones. As tutors, we concentrate on teaching and supporting our learners to grow in confidence in our chosen subject. We encourage their interest and motivate them where possible to use the skills gained in class at home.

We take it as a given that we provide a safe and happy environment so they can flourish and feel valued. The student's perspective is a reminder of how important 'feeling safe' is to vulnerable adults."

BUSINESS AND FINANCIAL REVIEW

CARER VICTOR CHIVERO

"We have four service users who regularly attend Music class at Stepping Stones. When we first introduced them to the music session some of them were hesitant to take part, but as times goes by they have become so much more interested in the music sessions.

Three service users are non-verbal and have learning difficulties so music has made them more active; they seem to be enjoying it so much by participating. The atmosphere is friendly and lively. We view this as a valuable addition to their lives and a great community participation. The music tutor has connected himself with all the service users, giving them the opportunity to express their sense of wellbeing and to promote their independence. I am happy on behalf of the service users to continue to support them in this activity for the next few years to come."

EXPANDING HORIZONS IN A SAFE AND HAPPY ENVIRONMENT

Stepping Stones works to address this disadvantage and provide life-enhancing and meaningful activities. It creates a safe and supportive space where people can discover and share their talents and skills. It aims to provide opportunity and choice and to broaden the horizons of people who attend.

Stepping Stones students are offered a range of activities over the year, including Art, Music, Dance, Relaxation, Drama, Keep Fit, Cooking, Gardening and Walking groups, all of which are delivered by experienced and skilled tutors. The classes offer a space in which people can freely express themselves and communicate with the outside world – all the while improving their confidence and self-esteem. In July each year, the end of the academic year is marked with a show. Alongside performances from the Drama, Dance and Music groups, Stepping Stones also holds an exhibition of art work which can be enjoyed along with refreshments provided by the Cooking classes.

The performances are delivered with confidence and courage that is built during the year. The result is a wonderful celebration of the skills, talents and abilities of the Stepping Stones' joyful community.

BUSINESS AND FINANCIAL REVIEW

INCREASING ITS REACH

With the support of Terra Firma, and in response to increasing demand for places, Stepping Stones has been able to increase its provision of classes by 60 per cent since 2015 and now has capacity to provide activities for to up to 150 people a week. The new classes have been set up in activity areas where there is highest demand and also to address specific needs, with the number of spaces in Music and Art classes doubling.

As well as being widely popular, these classes, in particular, provide opportunities for people with severe disabilities to communicate and express themselves in a safe and encouraging environment.

COOKING SKILLS

In 2015, Stepping Stones developed 'Cooking Skills for Independent Living', which is for adults who have the potential to live with some independence, for example, in supported living accommodation. The aim was to provide access to cooking skills and knowledge of how to make simple meals using fresh and healthy ingredients, so that adults can make healthier choices about the food that they eat. Alongside these skills, the people on the course also learn about food hygiene, meal planning and budgeting. There have been some remarkable developments in the confidence and skills within these classes, including the progression of some learners into volunteering and paid employment roles.

LOOKING AHEAD

Stepping Stones has a long established record of providing life-enhancing activities for adults with learning disabilities. For vulnerable people facing disadvantage, Stepping Stones is proud to provide a space where talents can flourish, friendships are made and horizons are broadened. With support from Terra Firma, it is looking forward to a bright future by working with, listening to and learning from adults with learning disabilities.

VOLUNTEER LINDA WALKER

"I have been volunteering in the Stepping Stones Art classes for over five years. There are two classes: the morning for students who need most support and the afternoon for those who are more independent.

In the morning, I support two or three students, but spend most time with David who has limited sight and needs one-to-one support. He has his own style, but I try to introduce him to different ideas and ways of producing his art. He has developed new skills using various materials and produces very good art. The afternoon group requires less one-to-one support, but the students need encouragement and positive feedback to increase their confidence.

Every student makes progress: some by developing a new skill or changing their artistic style, others by following instructions more closely or making their own decisions about materials and colour. The students are given every opportunity to develop and they have all made strides towards their individual goals.

The atmosphere in the classes is excellent with all students happy and secure in an accepting and supportive environment. This is a very valuable class for everyone involved."

BUSINESS AND FINANCIAL REVIEW

GOVERNANCE

Terra Firma is committed to the highest standards of corporate governance and we operate within a robust governance framework. The two advisory entities within the Terra Firma business are TFCPL and TFCML.

TFCPL

THE BOARD OF DIRECTORS

TFCPL is managed and controlled in the UK by a board of UK-based directors comprising Executive Directors (Andrew Géczy and Vivek Ahuja) and one Non-Executive Director (Deborah Pluck).

Deborah Pluck is a Fellow of the Institute of Chartered Accountants in England and Wales, and a Partner in Oxford's longest established accountancy practice. She holds a number of director and trustee roles including Chairman of the Governors of an independent school in Oxford. She is a founder member of The Oxfordshire Women's Forum which champions the role of women in local business.

Mary Lappas serves as TFCPL's Company Secretary. Mary is a lawyer in Terra Firma's legal department, with more than 10 years of experience.

Amerprit Kingra

BUSINESS AND FINANCIAL REVIEW

The TFCPL Board meets at least quarterly, but in practice more often. The Board's responsibilities include the setting and monitoring of strategy and direction of the business, approval of the annual budget, approval of the Financial Statements, review of anti-money laundering and compliance reports, and appointment of members of sub-committees of the Board.

In addition to our investment process, we have established committees and policies to manage the running of the firm and its portfolio businesses.

OPERATING COMMITTEE

The Operating Committee is a forum to discuss and manage day-to-day operational issues in line with the strategy of the firm. The committee makes recommendations to the Partners of the firm in respect of such operational issues where further input is required. It is chaired by the CEO and its members are the Group CFO, Head of Investor Relations and the firm's Managing Directors.

REMUNERATION COMMITTEE

The Remuneration Committee consists of the Group CFO and HR Manager. It meets as required to discuss and agree terms for any new hires to TFCPL and any other changes to compensation for existing employees. The committee enables remuneration to be considered for consistency, to ensure that changes are aligned with the strategy of the firm and appropriate risk management procedures and protocols are implemented.

TFCML

TFCML has a board of Guernsey-based directors comprising two Executive Directors (Guy Hands and Rupert Mackay) and two Non-Executive Directors (John Stares and Iain Stokes).

Rupert Mackay qualified as a Chartered Accountant in 1995 with Coopers & Lybrand Deloitte and moved to Nomura International plc in 1997, where he worked for the Principal Finance Group. Rupert joined Terra Firma in 2002 when it spun out from Nomura, and he moved to Guernsey in 2012.

BUSINESS AND FINANCIAL REVIEW

John Stares joined Terra Firma in 2007 as a Non-Executive Director of the Group's Guernsey-based entities. Before moving to Guernsey in 2001, John was with Accenture for 23 years. During that period, he worked as a strategic, financial, change and IT consultant with major clients in many industry sectors and during his 15-year tenure as a partner held a variety of leadership roles in Accenture's Canadian, European and Global consulting businesses. John has served as Chair of JT Group (formerly Jersey Telecom) and as a Non-Executive Director of INPP plc. He is also Vice-Chair of Governors of More House School and a Trustee of New Philanthropy Capital. He is a Fellow of the Institute of Chartered Accountants in England and Wales, and a Member of the Worshipful Company of Management Consultants.

Iain Stokes joined Terra Firma in 2003 as a Non-Executive Director of the Group's Guernsey-based entities. In his early career, Iain worked for BDO and Guernsey International Fund Managers Limited (part of ING Barings) before joining Mourant International Finance Administration ('MIFA') in 2003. As Group Managing Director, he was responsible for MIFA's office network covering North America, Europe and Asia. Iain was a member of the executive team that managed the sale of MIFA to State Street in 2010 and where he was a Senior Managing Director until 2012. He holds a range of non-executive directorships of fund management and investment companies focused on alternative asset strategies.

CONFLICTS OF INTEREST

Terra Firma has a Conflicts Policy addressing both personal and corporate conflicts of interest. Most procedures for dealing with conflicts of interest involve, initially, disclosure of the relevant conflict to the affected parties and then either seeking such third parties' consent to the conflict or refraining from taking the conflicting action. Detailed policies are in place to regulate, amongst other things, business or other activities outside TFCPL, entertainment and gifts, personal account dealing and directorships in the portfolio businesses.

Each Terra Firma fund has an Advisory Board composed of representatives of a selection of that fund's investors. The principal purpose of each Advisory Board is to consider and, if thought appropriate, consent to arrangements being entered into when there is a possibility of a conflict arising.

BUSINESS AND FINANCIAL REVIEW

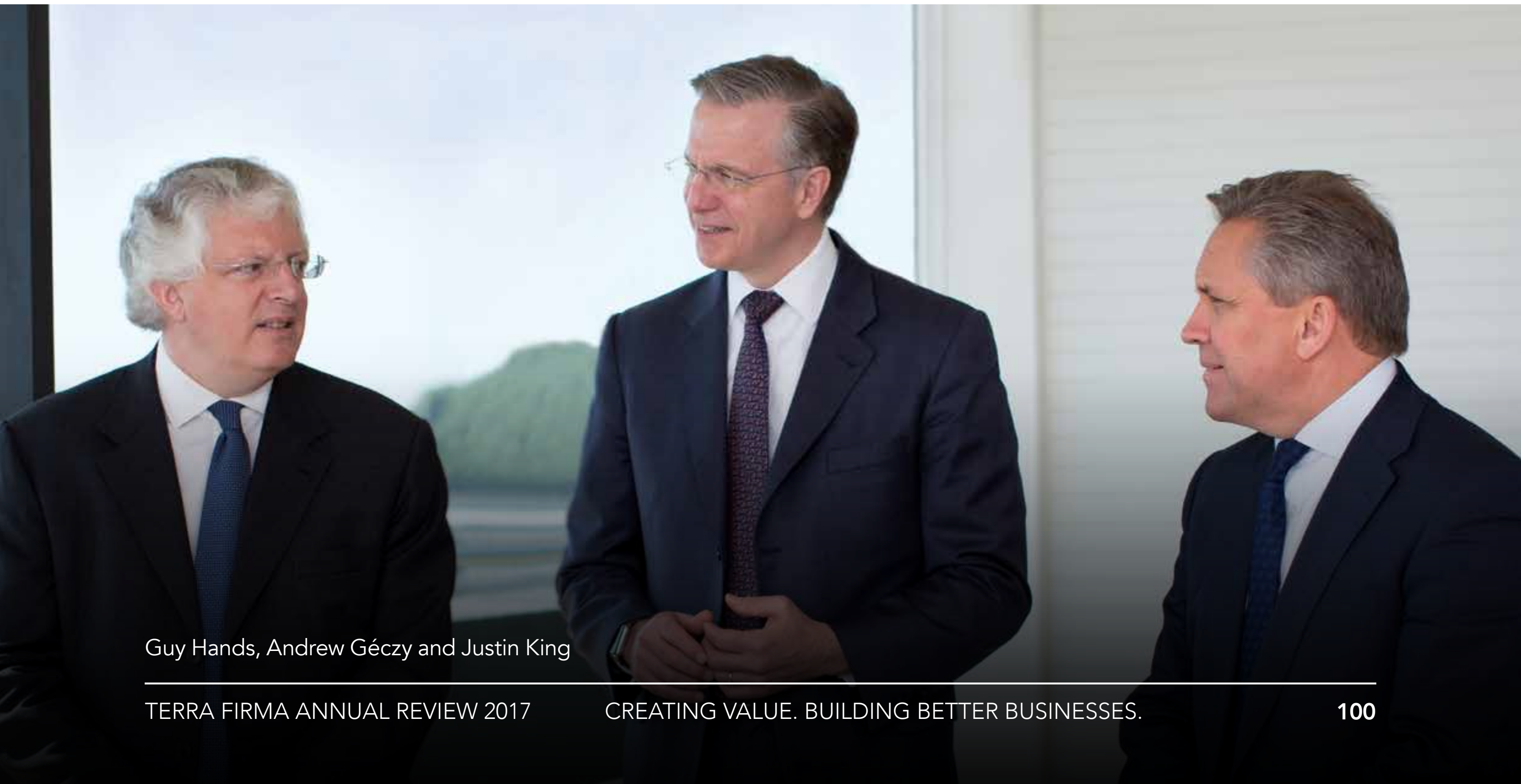
TRANSPARENCY

We are proud of the work we do to improve businesses and we consider it essential that all our stakeholders understand our objectives, plans and results, and how our activities contribute to the wider community.

We are committed to providing our investors and other stakeholders with a high level of disclosure around our structure and operations and how we create long-term value in our businesses.

In 2007, following the recommendations made by Sir David Walker in his report 'Disclosure and Transparency in Private Equity', Terra Firma was one of the first private equity groups in the UK to publish an annual review of its business. Our portfolio businesses share our dedication to transparency, corporate social responsibility and environmental awareness. The majority publish annual reports in line with the Private Equity Reporting Group ('PERG' – formerly the Guidelines Monitoring Group) guidelines, although this is not mandatory for non-UK businesses. Annual PERG reports on industry compliance have consistently included Terra Firma's businesses as examples of good disclosure.

Terra Firma is active in the development of industry practices, through the British Private Equity & Venture Capital Association ('BVCA') and Invest Europe. In addition, Terra Firma adheres to the Institutional Limited Partners Association ('ILPA') Private Equity Principles.



Guy Hands, Andrew Géczy and Justin King

BUSINESS AND FINANCIAL REVIEW

ALIGNMENT

At Terra Firma, we strongly believe in the partnership between the investors who provide capital, the private equity fund managers who invest that capital, and the portfolio management teams who steward the businesses during the funds' ownership. The long-term alignment of interest between the investors, the private equity fund manager and its employees is of the utmost importance.

We have been one of the largest investors in each of our funds, with Terra Firma having committed more than €1 billion to the firm's previous funds. This commitment means that we are strongly incentivised to maximise returns for our investors.

Terra Firma's reward structure for its employees reflects this alignment.
The majority of our team is compensated through long-term incentives based on creating value for our investors, and we also look to incentivise the portfolio business management teams to align them with our objectives to maximise value in each business.

03 BUSINESS AND FINANCIAL REVIEW

Arun Kumar

BUSINESS AND FINANCIAL REVIEW

GENERAL ACCOUNTABILITY

AUTHORISED STATUS

TFCPL is authorised and regulated by the Financial Conduct Authority ('FCA') to provide investment advice to, and arrange deals for, the Terra Firma funds. TFCML is licensed by the Guernsey Financial Services Commission.

COMPLIANCE OFFICERS

David Thomas is the Compliance Officer of TFCPL. The Compliance Officer's function is to, amongst other things, ensure that the UK-based directors and employees of TFCPL comply with FCA rules and any other rules and regulations governing the conduct of designated investment business under the Financial Services and Markets Act 2000.

Estera Administration (Guernsey) Limited is the Compliance Officer of TFCML. The Guernsey Compliance Officer's function is to ensure that the Guernsey-based directors and employees of TFCML comply with the rules of the Guernsey Financial Services Commission and other relevant local legislation.

FINANCIAL STATEMENTS

TFCPL prepares annual audited financial statements. These financial statements, which are prepared in accordance with the UK Companies Act 2006, are prepared to give a true and fair view of the performance and position of TFCPL. TFCPL's year end is 31 March and the financial statements are filed annually at the UK Companies House where they are publicly available. TFCPL's auditor is Deloitte LLP.

The directors of TFCPL are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of TFCPL and enable them to ensure that the financial statements comply with the UK Companies Act 2006. They are also responsible for safeguarding the assets of TFCPL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TFCML prepares annual audited financial statements. These financial statements are prepared in accordance with the Companies (Guernsey) Law, 2008 to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. TFCML's year end is 31 March and its auditor is Deloitte LLP. The TFCML directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of TFCML and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of TFCML and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CONTINGENCIES – LITIGATION

TFCPL and TFCML are not currently involved in, and have no knowledge of, any threatened litigation involving any of them which would have a material adverse impact on their results, operations or financial condition.

OWNERSHIP

Guy Hands is the ultimate beneficial owner of both TFCPL and TFCML.

RISKS AND UNCERTAINTIES

The Terra Firma advisers must provide high quality investment advice to the Terra Firma General Partners. This advice necessarily provides views on uncertain future conditions and events which may not turn out as expected. The Terra Firma advisers have the appropriate skilled investment professionals, organisational structure and processes to manage the risk inherent in this activity. Where risks are relevant they are taken into account by the General Partners in the risk and return assessment of a potential investment.

RISK MANAGEMENT

In reaching their decisions, the Terra Firma General Partners take into account the advice of the Terra Firma advisers as well as the fund managers' strategy and the risk and return profile of an investment opportunity. We believe that this consistent approach, and the resulting build-up of knowledge, enhances Terra Firma's ability to extract additional value in transactions and generates higher returns with less risk. The General Partners bring objective discipline to the review of each investment opportunity.

The ongoing dialogue between the General Partners and the team working on a particular transaction results in the sharing of best practices across all Terra Firma transactions as well as identifying additional risks and opportunities that might otherwise have gone unnoticed. It also increases pricing discipline and generally acts as a constructive check for the transaction team.

The advice that the Terra Firma advisers provide aims to take account of potential market risks related to economic and political events and trends. In order to stay appraised of current events and future financial trends and to help form their view, the Terra Firma advisers constantly review advice from economic, political, legal, financial, tax and accounting advisory firms.

Terra Firma is advised by an array of distinguished professionals from the fields of politics, economics and business. These advisers provide independent insight and ideas on specific business sectors, and advise on how current and changing political landscapes might affect investment activity. Many of our external advisers have a long-term relationship with our firm, including those who have formerly held senior positions at Terra Firma, and several have worked across multiple portfolio businesses in both executive and non-executive roles.

BUSINESS AND FINANCIAL REVIEW

CORPORATE RISK

Terra Firma has policies and procedures in place to appropriately consider and manage its risks as set out below:

LIQUIDITY RISK

Terra Firma has a financial reporting and budgeting process which incorporates regular cash flow forecasts of fee income and overheads. Given the predictable nature of its cash flows, liquidity risk is remote.

LEVERAGE RISK

The Terra Firma advisers have no current borrowings.

INTEREST RATE RISK

Terra Firma has no interest rate exposure as it has no current borrowings.

CURRENCY RISK

TFCPL and TFCML are exposed to currency risk to the extent that, while their incomes are predominantly in sterling, some of their costs are in euro. While these costs are not hedged, management believes they do not represent a material risk to the business.

COMPETITOR RISK

Given the success of the strategy to date and the strength of the advisory team, the Terra Firma advisers consider it unlikely that the Terra Firma fund managers might seek alternative investment advisers.

KEY MAN RISK

The operations of Terra Firma are highly dependent on a small number of senior personnel, including Guy Hands, being able to perform their roles. Terra Firma has considered the risk of the resignation, incapacity or death of these individuals and has put in place appropriate plans to manage this risk, including the purchase of key man insurance. The risks outlined here represent those faced by Terra Firma.

The risks faced by the Terra Firma funds are set out in the Notes to the Accounts in Section 4. The portfolio businesses will face risks in their normal course of business and these will be set out in their respective accounts.

04

Our Funds

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OUR FUNDS

TERRA FIRMA FUNDS

AGGREGATED FINANCIAL STATEMENTS[1]

BALANCE SHEET	NOTE	AGGREGATE 2017 €'000	AGGREGATE 2016 €'000
FIXED ASSETS			
Investments at fair value through profit or loss	2(b), 5	4,647,812	5,569,781
CURRENT ASSETS			
Investments at fair value through profit or loss	2(b)	80,584	–
Cash at bank		22,450	49,470
Accounts receivable	6	6,941	768
CURRENT LIABILITIES			
Accounts payable	7	3,353	4,150
NET ASSETS		**4,754,434**	**5,615,869**
PARTNERS' ACCOUNTS		**4,754,434**	**5,615,869**
Revaluation surplus included in Net Assets		(1,722,791)	(2,040,425)
Book Value of Net Assets		**3,031,643**	**3,575,444**

PROFIT AND LOSS STATEMENT	NOTE	AGGREGATE 2017 €'000	AGGREGATE 2016 €'000
INCOME AND EXPENDITURE			
Net gain/(loss) from investments at fair value through profit or loss	2(b)	720,322	(145,846)
Other income		161	–
General Partner's Share		(29,903)	(43,952)
Partnership expenses		(5,276)	(24,111)
Foreign exchange loss	2(d)	(2,106)	(3,341)
Auditor's remuneration		(286)	(271)
Bank charges		(227)	(178)
NET RESULT FOR THE YEAR		**682,685**	**(217,699)**

[1] Although Terra Firma Deutsche Annington's ('TFDA') investment in Deutsche Annington was exited in 2014 and TFDA is no longer an active fund, the TFDA Partnerships still exist and are therefore included in the aggregated financial statements

OUR FUNDS

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND PURPOSE

The financial information presented represents the aggregated financial position and financial performance of the Terra Firma Limited Partnerships described in the following table (the Partnerships). The financial information has not been consolidated. The Partnerships aggregated in the financial information are:

PARTNERSHIP	ESTABLISHMENT DATE	GENERAL PARTNER
Terra Firma Capital Partners II, L.P.-A	21 June 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-B	21 June 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-C	2 July 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-D	2 July 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-E	22 August 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-F	25 October 2002	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners II, L.P.-H	1 October 2003	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 1 L.P.	24 November 2003	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 2 L.P.	25 November 2004	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 3 L.P.	23 March 2005	Terra Firma Investments (GP) 2 Ltd
TFCP II Co-Investment 2a L.P.	29 April 2005	Terra Firma Investments (GP) 2 Ltd
Terra Firma Capital Partners III, L.P.	19 December 2005	Terra Firma Investments (GP) 3 Ltd
Terra Firma Deutsche Annington L.P.	3 March 2006	Terra Firma Investments (DA) Ltd
Terra Firma Deutsche Annington-II L.P.	19 May 2006	Terra Firma Investments (DA) II Ltd
Terra Firma Deutsche Annington-III L.P.	19 May 2006	Terra Firma Investments (DA) Ltd
TFCP II Co-Investment 4 L.P.	23 August 2006	Terra Firma Investments (GP) 2 Ltd
TFCP III Co-Investment L.P.	4 September 2007	Terra Firma Investments (GP) 3 Ltd
TFCP II Co-Investment 4a L.P.	17 September 2007	Terra Firma Investments (GP) 2 Ltd
TFCP III Co-Investment 2 L.P.	29 November 2007	Terra Firma Investments (GP) 3 Ltd
Terra Firma Deutsche Annington-IV L.P.	19 December 2007	Terra Firma Investments (DA) Ltd
Terra Firma Deutsche Annington-V L.P.	19 December 2007	Terra Firma Investments (DA) Ltd
TFCP II Co-Investment 4b L.P.	4 August 2008	Terra Firma Investments (GP) 2 Ltd
TFCP III Co-Investment A L.P.	4 August 2008	Terra Firma Investments (GP) 3 Ltd
TFCP III Co-Investment B L.P.	2 July 2009	Terra Firma Investments (GP) 3 Ltd
TFCP III Co-Investment 2A L.P.	24 May 2010	Terra Firma Investments (GP) 3 Ltd
TFCP III Co-Investment C L.P.	19 November 2010	Terra Firma Investments (GP) 3 Ltd
Terra Firma Special Opportunities Fund I, L.P.	12 March 2012	Terra Firma Investments (Special Opportunities Fund I) Ltd
Terra Firma Support Capital, L.P.	14 October 2015	Terra Firma Investments (Support Capital) Limited
Terra Firma Special Opportunities Fund II, L.P.	25 May 2017	Terra Firma Investments (Special Opportunities Fund II) Ltd

OUR FUNDS

NOTES TO THE FINANCIAL STATEMENTS

The principal place of business of the Partnerships is Guernsey. Their day-to-day activities are carried out by the General Partners of the Partnerships on behalf of the Partners. The main purpose of the Partnerships is to provide Partners with long-term capital appreciation through the acquisition of equity and equity-related investments predominantly in unquoted companies in Western Europe and by making other selective equity and equity-related investments.

2. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Partnerships' financial statements:

(A) BASIS OF ACCOUNTING

The aggregated financial statements have been prepared in euro since this is the functional currency of the majority of the Partnerships, and in accordance with UK Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

(B) INVESTMENTS

Investments are recognised initially at fair value, which is normally the transaction price adjusted for transaction costs. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss.

Net gain/(loss) from investments includes all realised and unrealised fair value changes, realised interest and foreign exchange differences.

In accordance with the Limited Partnership Agreements, investments in subsidiaries and associates are held as part of an investment portfolio with a view to the ultimate realisation of capital gains and hence fully consolidated financial statements are not prepared nor are associates equity-accounted. The General Partners determine the fair value of all investments in accordance with the IPEV Board's Valuation Guidelines and these are disclosed in Note 5 below.

(C) INCOME

Bank interest is accounted for on an accruals basis. Due to the nature of investments in the Partnerships, whereby they are deemed to be equity or equity-related, investment income receivable and foreign exchange gains and losses on investments are accounted for when the receipt of income is reasonably certain. Where taxes on income received by the Partnerships have been deducted at source, these have been allocated to individual Partners in accordance with the Limited Partnership Agreements.

OUR FUNDS

(D) FOREIGN EXCHANGE

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All amounts for reporting purposes are shown in euro. Investment transactions and income and expenditure items are translated at the rate of exchange achieved in the transaction. The assets and liabilities of funds denominated in currencies other than euro have been translated into euro at the reporting date.

3. ALLOCATION OF PARTNERSHIPS' PROFITS AND LOSSES

The profits and losses of the Partnerships are allocated between the Partners pursuant to the Limited Partnership Agreements.

4. MATERIAL AGREEMENTS

Under the terms of the Limited Partnership Agreements, the General Partners are responsible for the management of the Partnerships. Under the terms of the Investment Advisory Agreements, TFCPL and TFCML were appointed to advise the General Partners as to the acquisition, monitoring and realisation of the investments of the Partnerships.

5. INVESTMENTS

	AGGREGATE 2017 €'000	AGGREGATE 2016 €'000
EQUITY AND EQUITY-RELATED INSTRUMENTS:		
As at 1 January	5,569,828	6,945,944
Additions during the year	630,119	–
Disposals during the year	(1,823,947)	(792,676)
Changes in fair value during the year	412,202	(360,435)
Movement to current asset investments	(75,409)	–
Foreign exchange impact	506,108	(223,051)
FAIR VALUE OF INVESTMENTS AT 31 DECEMBER	**4,647,812**	**5,569,781**
BOOK VALUE	**2,983,707**	**3,529,356**

6. ACCOUNTS RECEIVABLE

	AGGREGATE 2017 €'000	AGGREGATE 2016 €'000
Drawdowns receivable	51	563
Prepayments	6,813	–
Recoverable costs receivable	14	204
Other debtor	62	–
	6,883	**768**

OUR FUNDS

NOTES TO THE FINANCIAL STATEMENTS

7. ACCOUNTS PAYABLE

	AGGREGATE 2017 €'000	AGGREGATE 2016 €'000
Costs payable	1,214	1,164
Provision	1,795	–
Loan payable	344	–
Distribution payable	–	2,986
	3,353	**4,150**

8. RISK MANAGEMENT

GOVERNMENT REGULATION

The Guernsey Limited Partnerships are regulated by the Guernsey Financial Services Commission. The operations of the Terra Firma portfolio companies are regulated by local authorities where the companies operate. Changes to the regulatory frameworks under which the companies operate are monitored.

The Partnerships operate complex legal and corporate structures across a number of legal jurisdictions. The General Partners of the Partnerships take appropriate professional advice on the suitability of these structures.

MACROECONOMIC RISKS

The Partnerships invest mainly in companies based in Europe. The performance of their investment portfolios is influenced by economic growth, interest rates, foreign exchange rates, and commodity and energy prices. This risk is mitigated by the sectoral and geographically diversified operations of the portfolio companies.

INVESTMENT DECISIONS

The Partnerships operate in a competitive market. Changes in the number of market participants, the availability of debt financing within the market and the pricing of assets may have an effect on the Partnerships' financial position, financial returns and ability to bid successfully for potential acquisitions. The General Partners of the Partnerships appraise potential investments in a rigorous manner, taking advice from a range of advisers, including TFCPL.

VALUATIONS AND EXITS

The unrealised valuations of the Partnerships' investments in portfolio companies and opportunities to realise the value in these investments is affected by market conditions, including the availability of debt finance and the level of activity in the buyouts market. The timing of opportunities for the Partnerships to exit their investments is also dependent on market conditions.

OUR FUNDS

LIQUIDITY RISK

By giving appropriate notice, the Partnerships may call on their Limited Partners to fund calls for investment and partnership expenses. The Partnerships do not commit to investment decisions beyond their ability to draw funds from investors.

CURRENCY RISK

The Partnerships generally report in euro and distribute profits to investors in euro.
The Partnerships invest in portfolio companies denominated in euro, US dollars, British pounds and Australian dollars and pay expenses in a range of foreign currencies and hence have an exposure to currency movements. The Partnerships hedge foreign exchange exposures in the completion of investment acquisitions and realisations.

INTEREST RATE RISK

Some Partnerships bear short-term borrowings with floating-rate interest and are subject to risk arising from changes in interest rates. As at year end, none of the Partnerships had loans outstanding.

OPERATIONAL AND CREDIT RISKS

The Partnerships are exposed to a range of operational risks inherent in their portfolio companies, including business disruptions, legal and regulatory changes and human resources risk. The General Partners mitigate these risks by taking advice from TFCPL and TFCML. Operational oversight of portfolio companies is maintained and supported by a reporting framework and controls. The maximum credit risk of the Partnerships with regard to an individual portfolio company is their carrying value of their investment in the company.

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Terra Firma Investments (GP) 3 Limited
Terra Firma Investments (Special Opportunities Fund I) Limited
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